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TARGET PRICES, EXPORT INITIATIVES, AND CRITICAL AGRICULTURAL MATERIALS ACT OF 1983

JUNE 23 (legislative day, JUNE 20), 1983.—Ordered to be printed

Mr. HELMS, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 2733]

The Committee on Agriculture, Nutrition, and Forestry, to which was referred the bill (H.R. 2733) to extend and improve the existing program of research, development, and demonstration in the production and manufacture of guayule rubber, and to broaden such program to include other critical agricultural materials, having considered the same, reports favorably thereon with amendments and an amendment to the title and recommends that the bill as amended do pass.

COMMITTEE AMENDMENT

The Committee amendment adds provisions to the bill authorizing the Secretary of Agriculture to set target prices for the 1984 and 1985 crops of wheat, corn, upland cotton, and rice at not less than the minimum target prices for the 1983 crop of the commodity, requiring the Secretary to use $300 million of Commodity Credit Corporation funds for export activities in fiscal years 1984 and 1985, and requiring the Secretary to solicit bids to purchase cotton to carry out the 1983 payment-in-kind acreage diversion program.

S163-6

SUMMARY OF MAJOR PROVISIONS

GUAYULE RUBBER AND OTHER CRITICAL AGRICULTURAL MATERIALS

The bill amends the Native Latex Commercialization and Economic Development Act of 1978 (Act). The current Act requires the Departments of Agriculture and Commerce to conduct research and engage in development activities leading to the commercial production of native latex. Current law mandated the establishment of a Joint Commission composed of representatives of the Departments of Agriculture, Commerce, and other Federal agencies. The Commission was established for the purpose of assisting the Secretaries in carrying out the Act and the Secretaries are authorized to delegate their responsibilities under this Act to the Commission.

Specifically, the bill would—

(1) redesignate the Act as the Critical Agricultural Materials Act;

(2) expand the Act to require research and development into the use of native agricultural crops for purposes of developing materials having critical strategic and industrial importance;

(3) make the Department of Agriculture the principal Federal agency responsible for the research and development effort;

(4) expand the membership of the Joint Commission to include the Department of State, Department of Defense, and the Federal Emergency Management Agency;

(5) provide that the Secretary of Agriculture appoint the Chairman of the Joint Commission (the chairmanship now rotates between the Department of Agriculture and the Department of Commerce);

(6) require the Secretary of Agriculture to construct a developmental rubber processing facility for the extraction and production of test quantities of quayule natural rubber;

(7) require large-scale experimental shrub plantings, aggregating 10,000 acres or more, to provide shrub for feedstock to process in the developmental rubber processing facility;

(8) require the Secretary of Agriculture to establish an Office of Critical Agricultural Materials within the Department as a central location for the research and development carried out under the Act; and

(9) provide authorizations for appropriations in the following amounts:

Fiscal year	Department of Agriculture	Department of Commerce
1984	$5,000,000	$2,500,000
1985	5,500,000	3,000,000
1986	6,500,000	3,500,000
1987	7,500,000	4,000,000
1988	8,000,000	4,500,000

TARGET PRICES AND EXPORT INITIATIVES

The bill would override certain provisions of the Agricultural Act of 1949 relating to the establishment of target prices for wheat, corn, upland cotton, or rice and require the Secretary of Agriculture to spend certain Commodity Credit Corporation funds for export activities.

Specifically, the bill would—

(1) authorize the Secretary to set target prices for the 1984 and 1985 crops of wheat, corn, upland cotton, or rice, but in no case could the target price be set at a price lower than the minimum target price for the 1983 crop of the commodity;

(2) require the Secretary to expend not less than $300,000,000 in Commodity Credit Corporation funds for export activities in each of the fiscal years 1984 and 1985;

(3) require that all funds received in repayment for credit extended under this provision and under the agricultural export provisions of the Omnibus Budget Reconciliation Act of 1982 be placed in a revolving fund for use in the financing of subsequent agricultural export sales.

COTTON

To assure that the Secretary of Agriculture has an adequate supply of upland cotton to carry out the 1983 payment-in-kind (PIK) program for upland cotton, the bill would require the Secretary to solicit bids for the sale of cotton to the Commodity Credit Corporation, without limitation, on cotton pledged by producers as security for nonrecourse loans under the support program for cotton. Until sufficient cotton is acquired to carry out the 1983 program, or during a reasonable bidding period of not less than 2 weeks, the Secretary could not reject any bid submitted by a cotton producer unless the bid exceeds the highest bid amount accepted by the Secretary under the same bidding procedure for feed grains. The Secretary would also be required to give any producer who has previously submitted a bid the opportunity to nullify such bid if the producer agrees to submit another bid under the terms of this section of the bill.

INTRODUCTION

American agriculture is moving into recovery, after 3 years of depressed prices, high costs of production, and low farm income. Along with other sectors of the United States economy, there are real prospects for sound economic growth in agriculture during 1983 and 1984.

The Committee believes that economic recovery is essential, and that Congress should take the necessary actions to facilitate that recovery. In the case of agricultural programs, this means that the level of farm supports such as target prices should be realigned with true economic fundamentals to improve export prospects, reduce the cost of Government programs, and send a more accurate price signal to farmers. In addition, funds should be generated to boost U.S. farm exports and provide an ongoing source of export credit financing.

Target price programs for wheat, feed grains, upland cotton, and rice have worked well over the years to provide a degree of predictability and support in an inherently unstable business. However, when the level of income support becomes distorted in terms of actual market prices and supply/demand fundamentals for these commodities, then adverse, unintended consequences can result.

Escalating target prices may require large Federal outlays for deficiency payments which can undermine the support of the taxpaying public for all farm programs. The potential cost of these payments may also force the United States into massive production control efforts which are complicated and difficult to administer, which reduce the economic base of agribusinesses and local communities, and which allow other exporting nations to take a larger share of world export markets.

The result of this policy is that surplus production is induced, U.S. farmers lose their competitiveness in world markets, costs to the consumer and taxpayer are increased, and resources are used inefficiently.

The Committee is also concerned that U.S. farm exports have declined in 1982 and 1983, which contributes to the problems of surplus production in the United States. Farm exports are vital to American farmers, and declining exports will cause reduced economic activity and fewer jobs in the farm sector and related sectors of the economy.

In order to rectify this situation, the Committee has acted to adjust and preserve the commodity target price programs by realigning them with current economic conditions and also providing assistance for U.S. farm exports. As a result, farmers will continue to receive income protection for these commodities in a less costly manner, while expanded exports should strengthen farm prices in the marketplace.

The Committee is also interested in the research and development of critical agricultural materials. Modern technology and continuing research are opening new doors that will allow us to produce other agricultural crops that have the potential for producing materials of strategic or critical importance.

BACKGROUND

Economic situation

The general economy is beginning to strengthen, suggesting that a worldwide recovery is underway. Declining interest rates, increased industrial production in the major national economies, and rising prices for international commodities help place projected world economic growth at about 2 percent for 1983, up from 0.5 percent last year. The industrialized countries—led by the United States—are expected to be the driving force behind the recovery.

In the United States, total employment has stabilized, industrial production is increasing, and consumer demand is expected to strengthen gradually over the year. Overall, real Gross National Product and disposable personal income are expected to rise 2 to 3 percent in 1983 and about 4 percent in 1984.

These signs of recovery follow the program for economic recovery offered by President Reagan in 1981. The President's plan consists of stable monetary policy, relief from burdensome taxes and Government regulation, and substantial reductions in the growth of Government spending. Congress has acted on many of the President's initiatives in an effort to spur economic recovery, which is now occurring. The resulting economic growth will benefit agriculture and all other sectors of our economy.

Grain and cotton situation

The farm sector has been in economic distress during the past 3 years. Surplus commodities have accumulated during a time of weak global demand. In the past several years, a combination of world-wide recession, huge debt in a number of middle- and low-income countries, unfair trade practices, the Soviet grain embargo, a strengthening U.S. dollar, high interest rates and inflation, and two consecutive bumper world harvests have substantially reduced foreign demand for many U.S. agricultural commodities. This slackening of demand has had a dampening effect on domestic commodity prices. Farm prices for many commodities did not keep pace with increases in costs of production during the late 1970's. As a result, many farmers were caught in an every-tightening cost-price squeeze.

The efforts to control inflation and reduce interest rates, combined with the payment-in-kind acreage diversion program (PIK), are chiefly responsible for the improvement in the farm sector's economic outlook. Since President Reagan announced the PIK program, farm prices for several crops have strengthened significantly. Although prospective stocks are abundant, the tightening of stocks freely available to the market in 1982/83 and the likelihood of tighter supplies next season have raised market prices for PIK crops substantially. Since the price lows last fall, corn prices have jumped 60 percent, wheat prices 20 percent, cotton prices 15 percent, and rice prices more than 10 percent.

The PIK program alone is expected to add $2 to $3 billion to net farm income and significantly reduce credit needs in 1983. This will put farmers on a sounder financial footing, which will work to benefit agriculture as a whole in the long term. In addition, the PIK program is estimated to reduce Government outlays by $9 billion through fiscal year 1986.

Wheat.—The U.S. Department of Agriculture estimates that approximately 30 million acres of wheat base may be diverted to conserving uses in the 1983/84 crop year. This will reduce harvested acreage from 78.8 million acres in 1982 to approximately 60 million acres in 1983. Through the PIK program, wheat producers will be provided approximately 548.6 million bushels in return for idling acreage. Wheat production in 1983 is forecast to be down about 15 percent from the record 1982 harvest to around 2.4 billion bushels. Excellent growing conditions and prospective record yields for this year's crop are partially offsetting the 23 percent drop in acreage. Also, export demand and domestic use are expected to decline, which could result in little change in projected carryover wheat stocks of around 1.5 billion bushels, which is well above the levels considered desirable by the Department of Agriculture. Without the PIK program, however, United States wheat stocks would have grown significantly.

Corn.—Harvested acreage for corn is projected to drop from 73.2 million acres in 1982 to around 50 million acres in 1983, Approximately 30 million acres of corn base can be expected to be diverted into conserving uses. In return, corn farmers will be provided approximately 1.76 billion bushels through the PIK program. Corn production for 1983 is currently forecast at 6.0 billion bushels—well below the record 8.4 billion bushel harvest of 1982. Although corn production may decline by 25–30 percent in 1983, record large carryover stocks will result in 1983/84 supplies declining by only approximately one-tenth. Carryover stocks for the coming year should be reduced by 40 percent, to around 2.1 billion bushels—a supply more than adequate to meet all needs.

Sorghum.—Just under 6 million sorghum base acres should be diverted into conserving uses this year. Harvested acreage is estimated to be around 12 million acres in 1983—well below the 16.1 million acres harvested in 1982. Sorghum producers will be provided approximately 114.2 million hundredweight through the PIK program. Sorghum production is projected to be around 650 million bushels—almost 200 million bushels below last year's total. Ending stocks for 1983/84 should be about 60 million bushels below 1982/83 levels—somewhere in the range of 440 million bushels.

Rice.—Heavy participation by rice producers in the PIK program is expected to drop 1983 harvested acreage and production by about one-third. More than 1.8 million acres are estimated to be taken out of rice production and producers will receive approximately 40 million hundredweight of rice for their compliance. Both export and domestic use of rice are forecast to increase and ending year stocks appear to be adequate—at approximately 25 million hundredweight. Rice production should be somewhat over 100 million hundredweight for 1983/1984.

Cotton.—Cotton farmers may divert as much as 6.7 million acres to conserving uses this year. Producers will receive just over 4 million bales of cotton for their compliance. Production should drop by more than one-fourth to about 8.8 million bales. This, coupled with increased usage, should reduce stocks from 8 million to around 5.3 million bales by the end of next year.

Target prices

In order to protect producers from economic disaster, the Government has established "target prices" to ensure a minimum return to eligible farmers in a given year.

Target prices are specific per-unit price levels established by law, such as $2.70 per bushel for corn. These price levels are usually above the loan rate. If market prices fall below the target price for a certain crop, producers of that crop who comply with other program requirements will receive a Government "deficiency payment" to make up the difference. No payments are made if market prices stay at or above the target price.

Specifically, payments may be made to eligible producers of wheat, feed grains, upland cotton, and rice if the national weighted average of the commodity market price falls below the target price during the first 5 months of the marketing year (in the case of cotton the period is the calendar year which includes the first 5 months of the marketing year). The difference between the target price and the market price or loan rate, whichever is higher, is the per-unit deficiency payment.

This difference is multiplied times a farmer's program yield and program acreage to calculate the total deficiency payment which the farmer would receive. Program yields and acreages are calculated to represent the yield in a typical year and the acreage of that crop planted in a normal year on that farm.

Target prices were first introduced into law by the Agriculture and Consumer Protection Act of 1973. The legislation also included a provision to adjust the target price levels in future years according to changes in an index of production costs. These provisions were extended with minor modifications in the Food and Agriculture Act of 1977.

As part of the Agriculture and Food Act of 1981, target price provisions were again extended. However, rather than using an index of production costs as the basis for determining the target price levels, specific price levels were mandated in the law as the minimum target prices for each year.

The Agriculture and Food Act of 1981 sets the minimum target prices for the 1982–85 crops at the following minimum levels:

	1982	1983	1984	1985
Wheat (dollars per bushel)	4.05	4.30	4.45	4.65
Corn (dollars per bushel)	2.70	2.86	3.03	3.18
Cotton (dollars per pound)	0.71	0.76	0.81	0.86
Rice (dollars per hundredweight)	10.85	11.40	11.90	12.40

PURPOSE AND NEED FOR LEGISLATION

TARGET PRICE ADJUSTMENT

The Committee believes that the mandatory escalation of minimum target prices for 1984 and 1985 is inappropriate, in light of the changes in production costs, market conditions, and budgetary expenditures since 1981. Maintaining the minimum 1984 and 1985 target prices at 1983 levels will send a more accurate price signal to farmers and will help the United States in our efforts to negotiate freer world trade for agricultural commodities.

The Committee's action is neither a "freeze" nor a "reduction". Rather, it is an elimination of the mandatory escalation of the target prices for 1984 and 1985. It should also be noted that the statutory target prices are minimums, not maximums. The Secretary of Agriculture is authorized to increase the target price levels if it is justified by economic conditions.

Economic conditions have changed significantly since Congress adopted escalating target price levels in 1981. Efforts by President Reagan and Congress to reduce inflation have been more effective than had been anticipated. According to the U.S. Department of Agriculture, preliminary cost estimates for the major grains and cotton indicate that per acre costs will increase only slightly in 1983 from 1982 levels.

Specific costs of production vary widely among farmers and among regions. However, the prices which farmers pay for production inputs provide some indication of costs. According to USDA, in 1982/83 the rates of price change for the inputs which typically account for the largest share of a farmer's production costs slowed noticeably from their 1977-81 average rates. Fertilizer and fuel prices actually decreased or remained steady in 1982 and are expected to decrease in 1983. The rate of increase in machinery prices has slowed dramatically even in terms of list prices. Substantial price discounting has slowed the rate of increase even more than indicated by changes in list prices.

The specific rates of change for prices of selected inputs for the years 1977-1981, 1982, and 1983 are as follows:

	1977-81 average	1982	1983
		Percent change	
Fertilizer (per ton):			
Nitrogen (ammonium nitrate)	6.3	5.4	−5.1
Phosphate (P_2O_5)	10.3	−7.2	−7.0
Potash (K_2O)	9.8	2.0	−7.8
Machinery:[1]			
Tractors (30 to 39 hp)	9.1	8.0	4.6
Tractors (110 to 129 hp)	10.4	7.8	6.2
Fuel diesel (gal.)	21.7	0.0	−13.1
Chemicals			
Atrazine (5 lbs.)	−4.5	−6.4	−4.0
2,4-d (5 gals.)	2.8	−1.0	−5.6
		Percent	
Interest rates:			
Production Credit Association	11.0	14.6	12.8
Prime rate charged by banks	18.9	14.9	10.5

[1] These changes are based on list prices and do not reflect discounts.

With production costs stabilizing, the escalation of target prices is no longer reflective of true economic conditions in the marketplace. In fact, this escalation can become an artificial incentive to generate surplus production which is not in the best interests of farmers and should be avoided.

Substantial budget savings will result from this action by the Committee. According to the Congressional Budget Office, maintaining target prices at 1983 levels would produce $4.537 billion in savings through fiscal year 1986. Similarly, USDA estimates the savings to the taxpayer at $3.767 billion through fiscal year 1986.

Farm program costs have escalated to record levels in the past few years. Recent estimates place outlays to support farm programs at $21.1 billion for fiscal year 1983, although a substantial portion of the outlays are loans which are supposed to be repaid. Not only have the costs of farm programs increased dramatically in recent years, they have far exceeded the original intent of Congress. In the report which accompanied the Agriculture and Food Act of 1981, the Committee expressed hope that the deficiency payments resulting from target prices would never be needed. In fact very large payments have been made, far in excess of what was orginally envisioned by Congress.

Farm programs should be cost-effective and consistent. At a time when USDA is attempting to drastically cut production by implementing a massive acreage cutback through the payment-in-kind program, it makes no sense to encourage production through an escalation in the target price. Our farmers are not well-served by such mixed signals from the Government.

However, by ensuring a minimum return to eligible farmers in a particular year, target prices at reasonable levels can be very helpful to farmers. In fact, one reason for farmers to participate in USDA acreage reduction programs is to become eligible for target price protection.

Maintaining target prices at current levels should encourage continued participation in any acreage reduction programs that are determined necessary. However, a reduction of the 1984 target price below the 1983 level might reduce the incentives for farmers to participate in the acreage reduction programs, thus lessening the programs' efffectiveness.

In 1983, farmers in overwhelming numbers signed up to participate in USDA's programs. Farmers enrolled so much acreage that more acres were taken out of production than at any time in history. The 1983 target price levels, in conjunction with a PIK program, should be a good incentive for farmers to participate again in 1984.

The Administration was highly successful in ecouraging farmers to sign-up for farm programs in 1983. Many observers believe that the payment-in-kind program has been better received by farmers than any farm program in history.

During the next year as the PIK program helps to reduce surpluses, the stage will be set for higher market prices and a stronger farm economy in 1984 and 1985. However, in the short term, farm supply and service industries will be affected by the reduced use of farm production inputs.

The Committee notes the adverse effect of the 1983 payment-in-kind (PIK) program— and particularly the acceptance of whole base farm bids—on industries supplying agricultural production items to farmers. If the Secretary of Agriculture implements PIK programs for the 1984 crops, the Committee intends that the Secretary use extreme caution in any decision to permit and accept whole base bids. The Committee also requests that the Secretary inlcude a determination on the likelihood of participation on the basis of whole base bids in his initial announcement of the details of the 1984 programs.

EXPORT INITIATIVES

U.S. agricultural exports decline

Over the past decade, the United States has been the world's largest exporter of agricultural products and commodities, now supplying 80 percent of the soybeans, 60 percent of the feed grains, 40 percent of the wheat and cotton, and 20 percent of the tobacco and rice moving in world trade.

The value of these exports increased from approximately $7 billion in 1970 to about $43.8 billion in fiscal year 1981, and the volume has more than doubled in that same period. These exports create more than half-a-million domestic jobs in related industries, and take the production of two out of every five acres of cropland. They generate about one-fourth of all farmers' cash receipts, and contribute about $20 billion to our balance of trade.

Despite the many benefits of international trade in farm products in the United States, agricultural exports have begun to decline. The value of U.S. agricultural exports in fiscal year 1982 was $39.1 billion, a decline of almost $5 billion from the 1981 level. This represents the first year-to-year decline in the value of farm exports in more than a decade. The Department of Agriculture is projecting agricultural exports to decline further this year to $35 billion.

There are a number of reasons for the decline in U.S. agricultural exports. The world recession, weak foreign currencies, the massive debt of many potential importers, the residual effect of the grain embargo imposed on the Soviet Union in 1980, and very favorable weather conditions worldwide are all causal factors. These are exacerbated by record production and large surpluses, which combine to provide less than normal incentive for importing nations to secure reserves of foodstuffs.

However, in addition to these factors, continued heavy and often unfair competition for world markets from other exporters is clearly a causal element in the decline of U.S. agricultural exports.

Both Congress and the Executive Branch have undertaken a number of initiatives in the past few years to promote increased sales of U.S. farm products abroad. First, Congress and the Secretary of Agriculture have adjusted U.S. domestic farm policies and programs to operate within market forces of supply and demand, most recently through the payment-in-kind (PIK) program.

The U.S. Department of Agriculture has also intensified efforts to expand farm exports in order to boost domestic commodity prices. In addition to its traditional export promotion programs (which include the cooperator, export incentive and credit programs), the Department and Congress have continually sought to end unfair foreign trade practices through the prescribed procedures of international law, and specifically through the processes provided for under the General Agreement on Tariffs and Trade.

Additionally, in 1982, during Committee consideration of agricultural programs in the budget reconciliation process, Senator Helms offered an amendment directing that $175 to $190 million of Commodity Credit Corporation (CCC) funds be used in each of fiscal years 1983 through 1985 to counter the price and credit subsidies of other countries. That amendment was adopted by the Committee and approved by the full Senate.

In conference with the House of Representatives, this language was revised to provide the $175 to $190 million for export activities of the CCC in general. President Reagan signed the Omnibus Budget Reconciliation Act of 1982 on September 8, 1982.

On October 20, 1982, Secretary of Agriculture John Block, announced a "blended credit" program for financing U.S. agricultural exports. The program used $100 million of the Helms amendment funds as interest-free direct credits, which were then blended with $400 million of CCC credit guarantees of private lender financing at market interest rates. The total package provided interest rates at levels competitive with subsidizing countries, so as to encourage potential purchasers to buy U.S. products.

The blended credit program has proven highly successful. By the end of 1982, all the funds had been allocated to eight countries to finance the purchase of 2.5 million tons of U.S. corn, wheat, soybean meal, vegetable oil, and cotton.

As part of the agricultural appropriations Act for fiscal year 1983, Congress directed that not more than $500 million be used for CCC direct export credits.

On January 11, 1983, President Reagan announced the use of an additional $250 million in interest-free direct credits to be blended with credit guarantees to finance at least $1.25 billion in blended credit export sales.

In addition, on January 17, 1983, Egypt signed an agreement with the United States to buy 1 million metric tons of U.S. wheat flour over the next 12 to 14 months. The Department of Agriculture is providing enough CCC-owned wheat to enable U.S. suppliers to sell and deliver wheat flour at the agreed-upon price of $155 per metric ton. Credit guarantees will also be used. This action will utilize surplus U.S. wheat to meet the competition from subsidized French wheat flour sales to Egypt.

Despite these and other efforts to increase U.S. agricultural exports, the value of sales continues to decline. The Committee believes that additional export promotion efforts are needed.

The target price adjustment is expected to help rectify the current domestic surplus supply situation by providing farmers with the correct economic signal to cut back on overproduction. At the same time, however, the Committee believes that certain actions should be taken to strengthen market prices. In keeping with a market oriented farm policy, the Committee believes that market prices will best be strengthened through increasing agricultural exports.

The Committee believes that allocating a portion of the savings from the target price adjustment for export initiatives should stimulate foreign demand for U.S. farm products, thereby reducing excess stocks and boosting domestic prices. The Secretary of Agriculture should be provided maximum discretion to determine the most effective use of the savings to promote export sales. However, under the bill repayments of any credit extended from these savings must be used to fund the Agricultural Export Credit Revolving Fund. In addition, any repayments of credit extended under the Helms amendment in fiscal years 1984 and 1985 must also be used for the fund.

The Committee intends that, to the maximum extent practicable, the funds for export assistance be used to enhance exports of wheat, feed grains, upland cotton, and rice, in proportion to the budget savings which result from the target price adjustment on each crop.

Agricultural Export Credit Revolving Fund

Credit availability is an important factor in expanding U.S. agricultural exports. Since 1956, the U.S. Department of Agriculture has operated commercial agricultural export credit programs through the CCC. From 1956 through 1980, the U.S. Department of Agriculture offered direct export credit whereby the CCC made loans to foreign purchasers of U.S. agricultural commodities. Over $9 billion worth of U.S. agricultural commodities were exported under the direct credit programs.

In the late 1970's, direct export credit programs were discontinued due to budget constraints. The U.S. Department of Agriculture stopped requesting budget authority for direct credit programs in fiscal year 1980. Instead, it relied on loan guarantees because they are not likely to require direct Federal outlays. Under the guarantee programs, loans are made by U.S. banks at commercial rates of interest with the CCC guaranteeing repayment in the event of default by the foreign purchaser. The Department earmarked $1.6 billion for export credit in fiscal year 1982 and $4.8 billion in fiscal year 1983. However, many foreign customers have stated that they prefer the direct credit programs to the credit guarantees.

President Reagan reestablished the principle of direct export credit through the blended credit program which "blends" interest-free direct credit (GSM-5) with credit guarantees of private lenders (GSM-102). Since the program's inception in October 1982, blended credit has been approved to finance the sale of more than 7 million tons of U.S. corn, wheat, rice, cotton, soybeans, and other products.

While the export credit guarantee programs are indeed useful, they do not take the place of direct export credit programs. There is heavy competition in foreign markets today. Many competitors of the United States in the international market offer their exporters direct credit with interest rates often far below the rates available to U.S. exporters of agricultural commodities. Interest on private loans under the guarantee program is often 2 to 4 percentage points higher than the Federal cost of borrowing. Such a high interest rate reduces the attractiveness of the loans to foreign purchasers and reduces U.S. competitiveness. The lack of direct credit places exporters of U.S. agricultural commodities at a disadvantage and is a deterrent to expanding U.S. farm exports.

Direct credit offered by the Commodity Credit Corporation should act as a quick stimulus to exports. In a time of sluggish economic growth, many potential importers currently do not have the money to buy needed agricultural commodities. If CCC direct credits were made available to these countries, purchases of U.S. farm products would likely increase.

Moreover, direct credit is one of the best tools available for developing commercial markets in less-developed countries. Many of these countries are experiencing balance of payments problems and have limited foreign exchange and, as such, are likely to be viewed by many banks as too great a credit risk. Yet, it is the developing country market that shows the strongest potential for future growth in agricultural exports.

Authority for an agricultural export credit revolving fund was included in the Agriculture and Food Act of 1981, Public Law 97-

98. This provision was adopted with wide bipartisan support. The revolving fund concept is also widely supported by numerous farm groups and organizations. The revolving fund was authorized to provide a continuous source of financing for U.S. agricultural exports and to reestablish direct export credit. As a revolving account, the fund would be self-sustaining as repayments of principal and interest are received from borrowers.

Because of budgetary constraints, no moneys have been provided for the revolving fund despite continued support for such a fund. Over the past 2 years both the Senate and the House have attempted in a series of actions to provide funding for the Agricultural Export Credit Revolving Fund. Recent Senate actions include approval by the full Senate, of the Appropriations Committee's provision in the Emergency Supplemental Appropriations Act for Fiscal Year 1983 to appropriate $500 million for the Agricultural Export Credit Revolving Fund. This provision was deleted in conference. In addition, the Senate Committee on Agriculture, Nutrition, and Forestry adopted, without objection, a provision in S. 822—the Agricultural Export Equity and Market Expansion Act of 1983—that expresses the sense of Congress that in fiscal year 1983 not less than $1 billion should be made available to fund the Agricultural Export Credit Revolving Fund. The House has also taken similar actions regarding the revolving fund.

It is the Committee's belief that the need for such a fund continues to grow, especially with U.S. farm exports facing their second year of decline. The Committee also believes that the fund will help the United States regain and retain its competitive edge in international agricultural markets in the years ahead.

TREATMENT OF 1982 UPLAND COTTON FOR PIK PURPOSES

In early April of 1983, nearly 6 million bales of cotton were under Commodity Credit Corporation (CCC) loan or owned by the CCC. Under the payment-in-kind program (PIK) for the 1983 cotton crop, which is designed to reduce Government stocks, producers signed up to 95 percent of their upland cotton bases and committed nearly 7 million acres to conserving uses. Of this amount, nearly 3.2 million acres are enrolled in PIK's 10–30 percent program and 948,000 acres were accepted under PIK's whole base bid option.

The Department has, however, estimated a shortfall of cotton needed for PIK compensation ranging from 700,000 to 1 million bales. In order to alleviate such a shortfall, the PIK program provides that the CCC may either acquire additional cotton under Government loans, or exercise an option of requiring farmers to obtain CCC loans on their 1983 crop of upland cotton which, in turn, could then be used for PIK compensation through liquidation of the loans.

During a period that ended June 16, 1983, the Department offered to acquire cotton from producers who had pledged cotton as collaterla for price support loans for the 1982 crop of upland cotton. Under this program, farmers were allowed the opportunity to submit competitive bids as to the amount of additional compensation, if any, that they would need before selling their cotton to the

CCC. However, the level of additional compensation was limited to no more than 7 percent of the total number of bales offered.

Under similar programs conducted by the Department to acquire stocks of other commodities for the PIK program, such as in the case of feed grains, the Department did not impose a limitation on the amount of compensation. In accepting bids for feed grains, the Department accepted offers for additional compensation of up to 20 percent of the amount under loan.

In order to put cotton producers in the same position as producers of other commodities, with regard to the acquisition of commodities through bids, the Committee adopted a provision that would require the Secretary of Agriculture to solicit bids from cotton producers, with upland cotton under Government loan, without specifying any limit on the amount of additional compensation that may be needed to encourage producers to sell to the CCC. The provision specifies that no bids shall be rejected, unless they exceed the amount bid under the same procedure for feed grains, until sufficient cotton to carry out the PIK program for 1983 is acquired, or until a reasonable bid period opportunity has been determined and made available by the Secretary, but in no event less than two weeks. This provision would also require the Secretary to give any producer, who had previously submitted a bid, the opportunity to nullify the previous bid, if the producer agrees to submit another bid to the CCC.

GUAYULE RUBBER AND OTHER CRITICAL AGRICULTURAL MATERIALS

(a)

One of the purposes of H.R. 2733 is to authorize appropriations for the Native Latex Commercialization and Economic Development Act of 1978 (Public Law 95-592) and to broaden the guayule research and development program to create a generic program that includes other agricultural crops having the potential for producing materials of strategic or industrial importance to the Nation.

The Native Latex Commercialization and Economic Development Act of 1978 was passed in order to promote the development and commercialization of a domestic natural rubber industry based on the cultivation of guayule. The Act established a national policy for the development of economical means of culturing guayule shrubs for the extraction of natural rubber. The Act also called for the development of other hydrocarbon-containing plants to be used to produce raw materials for industrial use and to promote economic development.

Passage of the original Act has stimulated research into the cultivation of guayule shrubs and the production of rubber from the latex obtained from the shrub. Passage of the bill will lead to large-scale guayule plantings and the development of a prototype processing facility.

There are two good reasons for the United States to develop a domestic source of natural rubber. First, natural rubber is a commodity of vital national importance and the United States is completely dependent upon foreign sources for this product. Between

1970 and 1981, the United States imported and consumed 18.7 percent of the world's natural rubber production. Annually, the United States imports 800,000 metric tons of natural rubber at a cost exceeding one-half billion dollars. Synthetic rubber manufactured from petroleum feedstocks cannot be substituted for natural rubber in the production of certain strategic and essential industrial products where high performance is required.

Second, there is clearly potential for profit resulting from a shortfall between production and consumption and consequent rising market prices for natural rubber. During the period from 1970 to 1982, consumption exceeded production in 6 years, while the opposite occurred in the remaining years. A trend appears to be developing now, however, in which natural rubber production deficits appear to be growing.

Both of these factors make this legislation important to U.S. national security and economic health. This legislation could serve as a model of the kind of research and development that the United States could undertake to bring new products to the marketplace.

Total dependency on foreign sources for the natural rubber, together with rising world demand, necessitate that the United States explore the alternative of domestic rubber production.

(b)

The imported natural rubber used in domestic production is derived from the latex of the Hevea tree (Hevea brasiliensis), which is grown in the tropics near the equator where rainfall exceeds 100 inches per year. The major suppliers of natural rubber imports to the United States are Malaysia, Indonesia, Brazil, and Nigeria. While most of the natural latex presently produced in the world comes from the Hevea tree, the tree is not suitable for growth in the United States.

However, there exists another species of plant, guayule, which is native to the Southwestern United States and Northwestern Mexico and which contains commercial quantities of high-quality latex. Guayule was recognized for many decades as a latex producer and, during World War II, when normal supplies of natural latex were interrupted, the U.S. Government undertook a sizable research and development program for purposes of cultivating quayule in the Southwest. This production was managed by the U.S. Department of Agriculture, and between 1942 and 1946, 32,000 acres of guayule were planted and 1,400 tons of rubber produced. In 1946, the emergency rubber project was terminated by the Congress due to the return of normal production and importation of natural latex from other parts of the world, principally Southeast Asia.

Approximately 35 percent of the total domestic rubber consumption comes from natural latex; the remainder comes from synthetic rubber manufactured from hydrocarbons derived primarily from petroleum. Therefore, synthetic rubber production is dependent on the petroleum industry and any curtailment of petroleum availability or increase in petroleum costs impacts directly on the domestic rubber industry.

Notwithstanding the availability of synthetic rubber, it is inferior to natural rubber and is unsuited for many uses. For example, natural latex is used in the production of tires in amounts ranging from 20 percent for nonradial automobile tires to nearly 100 percent for airplane tires. It is a necessary component of these products, since it runs cooler than synthetic rubber, and thus degrades less quickly, ensuring fewer breaks and longer tire life.

(c)

Research in both the public and private sectors is appropriate for developing guayule into a viable crop for purposes of supplying an alternative natural rubber source to this Nation. Each research entity performs a specific role in reaching the goal articulated in the native latex Act.

Public research into the production of guayule should be directed toward basic genetic research, improved guayule cultivars with increased latex content, disease and general pest resistance, stress tolerance, weed control, improved cultural practices, irrigation technology to ensure water use efficiency, fertilizer formulations and application procedures, seed production practices, and harvesting and storage procedures.

The private sector, on the other hand, will engage in applied and developmental guayule research to adapt cultivars for specific locations, large scale planting and harvesting techniques, new storage technology, processing, and the commercialization of guayule as a finished natural rubber product.

(d)

The Departments of Agriculture and Commerce have been the lead departments responsible for carrying out the purposes of the native latex Act. These Departments, along with the Department of Interior and the National Science Foundation, make up the Joint Commission on Guayule Research and Commercialization. The Departments of State, Energy, Defense, and the Federal Emergency Management Agency have also participated in the Act's implementation.

During fiscal years 1980–1982, Federal support of guayule research totaled $8.1 million. The Department of Agriculture and the National Science Foundation provided the steadiest support. The level of support by agency is as follows:

Department and agency	Fiscal year 1980	Fiscal year 1981
Department of Agriculture:		
Agricultural Research Service (ARS)	$69,000	$1,010,000
Cooperative State Research Service (CSRS)	650,000	685,000
Department of Commerce	61,000	450,000
National Science Foundation	500,000	320,000
Department of the Interior	100,000	100,000
Total	1,380,000	2,565,000

For fiscal year 1981, the following departments and agencies provided another $1,135,000 in administrative and other support. Total contributions including levels of support to natural rubber research and development for fiscal year 1981 were $3.7 million.

Department and agency	*Amount*
Department of Agriculture:	
Science and Education	$200,000
Office of International Cooperation and Development	25,000
National Climate Program Office	10,000
Soil Conservation Service	25,000
Farmers Home Administration	40,000
Department of Commerce	50,000
Department of State	25,000
National Science Foundation	25,000
Department of the Interior	165,000
Department of Defense	200,000
Federal Emergency Management Agency	20,000
Department of Energy	350,000
Total	1,135,000

Expenditures for guayule research in fiscal year 1982 totaled approximately $3 million.

The authorization for appropriations for fiscal year 1983 is $5 million each for the Department of Agriculture and the Department of Commerce. The bill provides authorizations for appropriations for the next 5 fiscal years on a graduated scale totaling $50 million. Of this amount, the Department of Agriculture will receive $32.5 million and the Department of Commerce will receive $17.5 million, broken down as follows:

Fiscal year	Department of Agriculture	Department of Commerce
1984	$5,000,000	$2,500,000
1985	5,500,000	3,000,000
1986	6,500,000	3,500,000
1987	7,500,000	4,000,000
1988	8,000,000	4,500,000

State governments have noted the potential for commercial development of guayule and have contributed a considerable amount of money to that end. The private sector, principally the major rubber companies, have been involved as well.

(e)

The bill expands the native latex program from an effort to develop one crop in one region into a challenge to develop new crops and new crop uses which will benefit all parts of the country.

There are a wide variety of plants that could be made the subjects of further research and development. Meadow Foam, Crambe, Buffalo Gourd, Gopher Weed, and Jojoba are but a few which may hold commercial promise as renewable sources of critical materials. It is interesting to note the vast potential of these plants and where they are grown. Meadow Foam, which grows in the Northwest, bears oilseeds that produce industrial oils. Gopher Weed, from the Euphobia family, grows in the Southwest and produces chemical feedstocks from its sap. The sap is a latex, but is thinner than guayule latex; Exxon has converted this sap into gasoline. Crambe, grown in the Midwest, bears oilseeds that can be converted into industrial oils. Chinese Tallow, which grows along the coastal area of the Gulf of Mexico, produces industrial hydrocarbons. Buffalo Gourd, which grows in the Southwest, bears oilseeds that produce industrial oils. Jojoba, which grows in the Southwest, produces a superior lubricant and feedstock for plastics and fertilizer. The oil from the jojoba bean is the only known replacement for sperm whale oil, which is used as a long-term lubricant for inaccessible machine parts, such as moving parts near nuclear reactors.

The bill establishes the Department of Agriculture as the lead agency for carrying out the provisions of the Act. The bill also expands the membership of the Joint Commission to include the Department of Defense, the Department of State, and the Federal Emergency Management Agency. A person designated by the Secretary of Agriculture will chair the Joint Commission.

The bill also establishes, at the program level within the Department of Agriculture, an Office of Critical Agricultural Materials which will coordinate the Department's research activities on native latex and other agricultural crops having potential for producing critical materials for strategic and industrial purposes.

The Committee believes the development of guayule production will help satisfy the need for natural latex and will provide a reliable source of a vital commodity. Even during the research and development stage, it will provide substantial benefit to economically depressed areas while helping to reduce U.S. dependence on foreign rubber in the future.

As long as the United States remains totally dependant on foreign sources for its natural rubber supply, there is both the need and the opportunity to develop domestic sources of critical agricultural materials. In spite of past efforts to utilize native latex, there is considerable work to be done before the United States can process a significant amount of rubber from the Guayule plant. The research and development that is authorized in the bill will promote the cultivation of a domestic source of natural rubber, which is a reasonable goal that can be realized in the near future.

COMMITTEE CONSIDERATION

The Committee met on June 15, 16, and 21, 1983, to consider legislation to amend the target price programs for the major agricultural commodities—wheat, feed grains, upland cotton, and rice.

The basic proposal presented to the Committee for consideration was contained in a Committee print and would provide authority to the Secretary of Agriculture to set the target prices for the 1984 and 1985 crops of these commodities at not less than the 1983 levels. This change would eliminate the mandatory statutory escalation of the minimum target prices in 1984 and 1985, which would allow the Secretary to "freeze" target prices at 1983 crop levels.

Senator Dole opened the discussion by noting that both Senators Jepsen and Huddleston have proposed amendments relating to the target price issue.

Senator Lugar suggested that there would be merit in simply "freezing" target prices and using the savings to reduce the Federal budget.

Senator Cochran noted that the level of CCC expenditures for farm programs indicates that the cost of these programs is a problem, but indicated that any discussion of target prices should also involve an examination of other problems with the support programs.

Senator Lugar responded that the situation with the cost of farm programs presents the Committee with something of an emergency situation that must be addressed.

Indicating his support for the target price "freeze" authority, Senator Jepsen described his proposal, which would require the Secretary to estimate the annual savings from the freeze in fiscal years 1984 and 1985 and to use funds equal to one-half of the annual savings for export assistance in each of those years. In addition, this proposal would establish and fund, from loan repayments received by the Secretary from export credit extended under this proposal and under the Helms provision in the 1982 budget act, an export promotion revolving fund.

Senator Jepsen emphasized the importance of stimulating foreign demand for United States agricultural products. In additon, he pointed out that budget constraints have, so far, prevented funding from being provided for the export revolving fund established in the 1981 farm bill, noting that funding the revolving fund with loan repayments would avoid the budget problem and would allow the savings from the target price "freeze" to be used over and over.

Several Committee members raised questions about the cost of farm programs and the level of savings that would be available under the Jepsen proposal for export assitance purposes.

Dr. William Lesher, Assistant Secretary of Agriculture for Economics, responded to questions concerning the level of Government spending for farm programs, indicating that outlays for fiscal year 1983 are estimated to exceed $21 billion. Speaking in favor of a target price "freeze" he noted that in addition to saving about $3.8 billion over fiscal years 1984 through 1986, this action would be a signal to domestic producers that surplus production should be reduced. In addition, this action would help the United States in its efforts to negotiate freer world trade.

Senator Zorinsky questioned the Department's total cost figure for farm programs, pointing out that loan repayments from farmers may be as much as $5 billion which would reduce net outlays to about $16 billion. In addition, he asserted that, in light of the economic situation in the agricultural sector, maintaining target prices provides a more direct way to put money in farmers' pockets than expanding programs intended to generate increased farm exports.

Senators Pryor and Andrews argued that the Committee made its decision on farm policy in the 1981 farm bill and suggested that the Department of Agriculture should annouce the details of the 1984 wheat program, so that all of the facts would be known to Senators, before the Committee makes a decision on the issue of granting the Secretary authority to "freeze" target prices.

Senator Dole stated that the real problem for farmers is high interest rates caused by deficit Government spending and that the only cure is to cut the excess cost of Government programs, including farm programs.

On the point raised by Senator Zorinsky concerning the way farm program costs are estimated, Senator Helms stated that the Committee members are unanimous in their agreement that the figures provided by the Department and used by the Committee should reflect actual program costs.

In response to Senator Lugar's questions, Dr. Lesher estimated that savings of over $10 billion would be realized over fiscal years 1984 through 1986 if target prices were abolished totally.

Several Committee members raised various additional questions for Dr. Lesher's response, concerning a number of matters relating to farm program costs, the current level of funding for export programs, the announcement of the 1984 program for wheat, and the effect a target price freeze would have on the details of the 1984 program.

Following this discussion, Senator Jepsen again described that his proposal would authorize the Secretary to "freeze" target prices at 1983 levels, to use half of the savings resulting from such action for export assistance programs, and to establish and fund an export promotion revolving fund, and moved that it be adopted by the Committee.

Before voting on the Jepsen proposal, the Committee turned to the discussion of other business items and then agreed to recess. The markup reconvened on Thursday, June 16, 1983.

Senator Jepsen renewed the motion to adopt his proposal pending before the Committee from the previous day's meeting.

With Senator Jepsen's concurrence, Senator Huddleston then offered a modification to the pending proposal. Senator Huddleston's modification would establish a specific amount of $300 million annually, during fiscal years 1984 and 1985, for funding export assistance programs and would provide for loan repayments from certain export credit assistance programs to be used for funding the export credit revolving fund authorized in the 1981 farm bill. This modification would also make certain adjustments to the provisions of the export credit revolving fund.

Senator Cochran noted that since the authority for this revolving fund was enacted, the Senate has adopted an appropriation to fund it but the House has failed to do likewise.

Senator Jepsen observed that his proposal, as modified by Senator Huddleston, would ensure that funds would be provided for the revolving fund, and emphasized the important role the revolving fund could play in developing foreign markets.

In response to various questions, it was clarified that the Jepsen proposal, as modified, would require that $300 million of Commodity Credit Corporation's funds be used for a particular use, but that this would not constitute an appropriation of funds or establish a priority over other required Commodity Credit Corporation expenditures. It was further noted that the total expenditure of funds under this amendment would be only a fraction of the CBO estimated savings that would result from adoption of the target price provision.

Debate on the proposal continued with Senator Zorinsky suggesting that recent experience shows that exports will not be increased without a more consistent overall export policy. He argued that adoption of this proposal would probably not result in increased exports and urged the Committee not to make a change in the target price provisions. He then read a list of eighteen organizations opposing the target price "freeze".

Senator Jepsen responded that the revolving fund concept for stimulating exports had not yet been tried and should be given a chance.

Senator Huddleston acknowledged that farm exports have declined in recent years and cited several factors contributing to this situation including poor economic conditions worldwide. He noted that, because of this, the Committee should do all it can to assist farmers to compete abroad.

At 12:35 p.m., with the Jepsen proposal, as modified, pending before the Committee, the markup was recessed for procedural reasons under the Senate rules.

The meeting reconvened on Tuesday, June 21, 1983.

At Chairman Helm's request, the major provisions of the pending Jepsen proposal, as modified, were summarized by staff.

Senator Jepsen opened the debate by reviewing the benefits that would flow from the adoption of his proposal and citing the names of the thirteen farm organizations that testified in support of the revolving fund when it was included in the 1981 farm bill.

Senators Melcher and Andrews posed several questions about the fiscal year 1984 savings estimates relevant to the proposal and about the intentions of the Department to make advance deficiency payments and to lower loan rates for the 1984 crops.

Dr. Lesher responded that the level of fiscal year 1984 savings would depend on whether there are advance deficiency payments on the 1984 crops, and emphasized that the Department had not made any decision on whether or not to lower loan rates.

This led to a brief discussion regarding the United States' competitive situation in world markets and the various factors contributing to declining United States agricultural exports, including the use of subsidies by competitor nations.

Senator Melcher indicated he had several amendments to the Jepsen proposal, as modified. After a brief discussion of several procedural points, Senator Melcher offered his amendments.

The first amendment would strike subsection (a) of the Jepsen proposal, which would authorize the Secretary to freeze target prices for the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice. By a rollcall vote of 7 to 10, the amendment was not adopted.

Next, Senator Melcher offered an amendment to require that the loan rates for the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice be established at levels not lower than the loan rates for the 1983 crops of such commodities.

Dr. Lesher stated that the Administration is strongly opposed to this amendment and indicated that its adoption would hurt United States exports and the agricultural economy generally. He also indicated that it could adversely affect the acreage reduction program and would thus result in millions of dollars of increased outlays.

Senator Melcher responded to Dr. Lesher, suggesting that the Department was not using all of the resources it now has to bolster declining United States exports and concluded that farmers must be assured that loan rates will not be lowered.

Senator Lugar opposed adoption of this amendment pointing out that farm programs must be tailored to bring costs under control and arguing that the Secretary must have discretion to keep loan rates in line with market prices.

By rollcall vote of 8 to 9, the amendment to freeze loan rates was not adopted by the Committee.

Senator Melcher's third amendment would modify the Jepsen proposal to require, in addition to the $300 million being provided for export assistance, that the Secretary use $750 million specifically for purposes of the blended credit program.

Senator Melcher explained that his amendment would just require the Secretary to use money that is already available for use in the blended credit program.

A discussion of the Department's funding for export programs followed, during which Dr. Lesher indicated that requiring this amount of money to be spent for blended credit was just too much and might result in using it to make sales that would have been made anyway.

By a vote of 6 to 9, the Committee agreed not to adopt the amendment.

Senator Melcher next offered an amendment that would modify the target price provision of the Jepsen proposal to provide authority for the Secretary to set target prices for the 1985 crops at the 1984 crop levels, but would not authorize any change in the target price levels for the 1984 crops.

Dr. Lesher indicated the Administration is opposed to the amendment. He noted that restricting the authority to "freeze" target prices only to the 1985 crop of these commodities would weaken the important signal to United States farmers and producers around the world expressed in the Jepsen proposal—that production should be reduced.

Senators Boschwitz and Melcher disagreed with Dr. Lesher's contention that freezing target prices at 1983 levels would amount to an effective international signal that United States farmers will reduce production. Senator Lugar responded, however, that the Melcher amendment would encourage increased production, and suggested that the Committee should be offering precisely the opposite encouragement.

By a roll call vote of 8 to 8, the Committee agreed not to adopt the amendment.

After a brief discussion, it was agreed that the Committee would next proceed to a vote on the Jepsen amendment, as modified, and that, if adopted, it would then be added as an amendment to H.R. 2733.

There being no further amendments and with a majority of members persent, the Jepsen amendment, as modified, was adopted by a vote of 10 to 7.

Senator Wilson proposed that the Committee adopt an amendment that would require the Secretary of Agriculture to solicit bids for the purchase of cotton, for use in the 1983 PIK program, from cotton producers, without specifying any limit on the amount of additional compensation. The amendment would further require the Secretary to give any producer, who had previously submitted a bid, the opportunity to nullify the previous bid, if the producer agrees to submit another bid to the Community Credit Corporation.

In the discussion of this amendment, Senators Wilson and Cochran raised the point that the Department of Agriculture has exercised its option to purchase cotton from the 1982 crop of upland cotton under Government loan in order to fulfill PIK obligations. The Senators noted that under the bidding process to purchase this cotton, USDA limited additional compensation to not more than 7 percent of the bales offered. Under similar programs for other commodities, such as wheat, USDA did not impose any limit on additional compensation. The Senators reasoned that cotton producers should be treated the same as other producers, and therefore, the Department, in using this option to acquire cotton for the PIK program, should do so without any limitation on the amount of additional compensation in the bidding process.

Dr. Lesher stated that the Department is opposed to the adoption of this amendment because there is not adequate time to go through the process of seeking new bids from cotton producers before the first entitlement date for PIK payments. He stated that the amendment was too open-ended and that there should be, at minimum, a limited time period for reopening the bidding process.

Following additional discussion by the Committee, Senator Wilson offered a modified version of his amendment which included a provision that specified that no bids shall be rejected, unless they exceed the amount bid under the same procedure for feed grains, until sufficient cotton to carry out the PIK program for 1983 is acquired, or until a reasonable bid period opportunity has been determined and made available by the Secretary, but in no event less than two weeks. Senator Wilson reiterated that his purpose was to ensure that cotton producers were treated the same as other producers in the bidding process to acquire additional commodities for PIK compensation.

Several Members raised further questions on the purpose of the amendment and the Administration was asked to comment. Dr. Lesher stated that if the purpose of the modified amendment is to provide the same treatment for cotton producers as was provided to wheat and feed grain producers, the amendment does meet that purpose, but indicated that the Department would still oppose its adoption.

By voice vote the Committee agreed to adopt the Wilson amendment, as modified, without objection.

The Committee next turned to consideration of H.R. 2733, a bill to authorize appropriations for Governmental research and development for guayule rubber.

Chairman Helms then moved that the Committee report H.R. 2733, as amended, with the Jepsen target price and export initiatives provision and the Wilson cotton provision. The motion was seconded and adopted by a vote of 10 to 7.

SECTION-BY-SECTION ANALYSIS

Short title

Section 1 changes the name of the Native Latex Commercialization and Economic Development Act of 1978 (Act) to the "Critical Agricultural Materials Act".

Congressional findings

Sections 2(1) and 2(2) make conforming amendments to section 2 of the Act.

Section 2(3) amends subsection (e) of section 2 of the Act to provide that Congress recognizes that the National Science Foundation and other public and private industrial research groups, in addition to the Department of Agriculture and the Department of Commerce, have conducted research leading to the commercial production of native latex. Congress finds that sll of these research efforts should be continued and expanded.

Section 2(4) amends subsection (f) of section 2 of the Act to provide that, in addition to the research and development to further commercial production of guayule rubber, Congress recognizes that the development of other domestic industries for the manufacture, from other native agricultural crops, of products which are of strategic and industrial importance, but which are now imported, would benefit the economy, the defense, and general well-being of the Nation. Congress finds that the current research in this area should be continued and expanded and that new research should be undertaken. This section also provides that it is United States' policy to foster the development and production of critical agricultural materials from native agricultural crops, in addition to those materials developed and produced from Parthenium.

Definitions

Section 3(a) amends clause (d) of section 3 of the Act to define the term "native" to include agricultural crops, including Parthenium, which may be grown in North America and which are of strategic and industrial importance.

Section 3(b) deletes clause (e) of section 3 of the Act which contains a definition of "regional commissions". The statutory authority for these commissions was repealed in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).

Joint Commission on Research and Commercialization

Section 4(a) makes a conforming amendment to subsection (a) of section 4 of the Act.

Section 4(b) amends subsection (b) of section 4 of the Act to provide that the membership of the Joint Commission, in addition to three representatives each from the Departments of Agriculture and Commerce, and one representative each from the Bureau of Indian Affairs of the Department of the Interior and the National Science Foundation, shall be increased to include a representative of the Department of State, a representative of the Department of Defense, and a representative of the Federal Emergency Management Agency. Each member of the Joint Commission shall be an individual who is engaged in research, development, demonstration, and commercialization activities involving native latex and the production of other critical materials from native agricultural crops.

Section 4(c) amends subsection (c) of section 4 of the Act to provide that the Chairman of the Joint Commission shall be selected by the Secretary of Agriculture from among the three Department of Agriculture members appointed by the Secretary.

Section 4(d) amends subsection (h) of section 4 of the Act to provide that the Secretaries of Agriculture and Commerce and the Joint Commission shall seek advice from persons with expertise in manufacturing and commerce involving rubber and other critical agricultural materials.

Responsibilities of the Secretary of Agriculture

Section 5(1) amends section 5 of the Act to provide that the Department of Agriculture shall be the lead agency in carrying out the Act. This section also provides that the Secretary of Agriculture shall conduct, sponsor, promote and coordinate research, technology development and technology transfer for the culturing and extraction of latex and for the development of other critical materials from native agricultural crops.

Section 5(2) makes a conforming amendment to section 5 of the Act.

Section 5(3) amends clause (c) of section 5 of the Act to specify that, as part of the Secretary's research effort, he shall accelerate present breeding and genetic programs for the purpose of increasing latex yields and shall provide a system of regional research trials for enhancing and increasing the supply of foundation seed for certified seed production.

Section 5(4) amends clause (d) of section 5 of the Act to require that the Secretary establish a system of experimental plantings, aggregating a minimum of 10,000 acres, to provide shrub for feedstock to process in a developmental rubber processing facility.

Section 5(5) amends clause (g) of section 5 of the Act to require that the Secretary accelerate the refinement of extraction and processing technologies, including the construction of a developmental rubber processing facility for the extraction and production of guayule natural rubber.

Section 5(6) makes a conforming amendment to clause (h) of section 5 of the Act.

Section 5(7) adds a new paragraph to section 5 of the Act to provide that the Secretary shall study and carry out research to determine the economic feasibility of developing other native agricultural crops that would supply critical agricultural materials for strategic and industrial purposes.

Section 5(8) adds a new subsection to section 5 of the Act to provide that the Secretary shall establish an Office of Critical Agricultural Materials as a central location for research and development into the potential for the production of critical strategic and industrial materials from agricultural crops.

Research responsibilities of the Secretary of Commerce

Section 6(1) amends the first sentence of section 6 of the Act to broaden the research and development responsibilities of the Secretary of Commerce to include research and development into the manufacture and commercialization of strategic and industrial materials made from native agricultural crops.

Section 6(2) amends the second sentence of section 6 of the Act to delete a reference to certain regional commissions, as the statutory authority for these commissions was repealed in the Omnibus Budget Reconciliation Act of 1981.

Sections 6(3) and 6(4) make conforming amendments to section 6 of the Act.

Section 6(5) adds a new clause to section 6 of the Act which expands the research responsibilities of the Secretary of Commerce to include research into the use of native agricultural crops for the production of critical materials for strategic and industrial purposes.

Cooperatie projects

Section 7(1) amends section 7 of the Act to provide that the Secretaries of Agriculture, Commerce, and State are authorized to enter into cooperative projects with the governments of Australia and Israel for purposes of furthering the research and development fostered under the Act.

Section 7(2) amends section 7 of the Act to provide that any cooperative research and development project entered into between the United States and the governments of Mexico, Australia, or Israel for purposes of carrying out the Act should include, but not be limited to, the extraction and processing of latex and other critical agricultural materials produced in the United States.

Authority of Secretaries

Section 8 amends section 8 of the Act to expand the authority of the Secretaries of Agriculture and Commerce to accept assistance from States and public agencies for purposes of conducting research into the development of critical agricultural materials. The section also extends the Secretaries' contracting authority to include the making of contracts for the research and development of other critical agricultural materials.

Powers of Secretary of Agriculture

Section 9 amends section 9 of the Act to authorize the Secretary of Agriculture to participate in conferences and to coordinate and publish information relating to the culture of native agricultural crops that could supply critical agricultural materials.

Powers of Secretary of Commerce

Section 10(1) makes a conforming amendment to section 10 of the Act.

Section 10(2) repeals a reference to certain "regional commissions", since the statutory authority for these commissions has been repealed.

Section 10(3) amends clause (b) of section 10 of the Act to authorize the Secretary of Commerce, in carrying out the Act, to obtain the services of personnel having expertise in those native agricultural crops which could be used to manufacture critical agricultural materials.

Section 10(4) amends clause (f) of section 10 of the Act to authorize the Secretary of Commerce to foster and participate in regional, national, and international conferences relating to the activities authorized in the Act.

Cooperative effort

Section 11(1) amends section 11 of the Act to provide for the coordination of the activities of the members of the Joint Commission with each other and with the activities of other Federal agencies in carrying out the provisions of the Act.

Section 11(2) adds the Department of State to the listing of Federal agencies to which specific reference is made.

Section 11(3) substitutes the name "Federal Emergency Management Agency" for "Federal Preparedness Agency" to conform with the current name of that government agency.

Sales of developmental materials

Section 12(1) makes a conforming amendment to section 13 of the Act.

Section 12(2) amends section 13 of the Act to extend the authority of the Secretaries of Agriculture and Commerce to dispose of products and byproducts resulting from operations under the Act to include such products that are developed from agricultural crops under the provisions of the Act.

Section 12(3) amends section 13 of the Act to authorize the sale of materials developed under the Act to other Federal departments and agencies for testing purposes.

Conforming amendment

Section 13 makes a conforming amendment to section 14 of the Act.

Report to the President and Congress

Section 14 makes a conforming amendment to section 14 of the Act and further amends section 14 to extend through December 31, 1987, the requirement for the preparation and submission of an annual report to the Congress and the President on the activities carried out under the Act.

Authorization of appropriations

Section 15 amends section 16 of the Act to authorize the following appropriations:

Fiscal year	Department of Agriculture	Department of Commerce
1984	$5,000,000	$2,500,000
1985	5,500,000	$3,000,000
1986	6,500,000	$3,500,000
1987	7,500,000	$4,000,000
1988	8,000,000	$4,500,000

Section 15 also amends section 16 of the Act to provide that, after September 30, 1988, all research and development activity carried out under the Act shall be focused on critical agricultural materials and no further research and development activity shall be devoted to native latex.

Target prices and export initiatives

Section 16(a) provides that this section may be cited as the "Target Prices and Export Initiatives Act of 1983".

Section 16(b) provides that, notwithstanding the provisions of the Agricultural Act of 1949, the Secretary of Agriculture may set the target price for the 1984 or 1985 crop of wheat, corn, upland cotton, or rice at such level as the Secretary of Agriculture determines is appropriate, but in no case shall the target price be set at less than the minimum established price for the 1983 crop of the commodity.

Section 16(c) provides that, for each of the fiscal years 1984 and 1985, the Secretary shall spend not less that $300,000,000 of Commodity Credit Corporation funds for export activities authorized under laws in effect on the date of enactment of this section. The Secretary shall carry out the program mandated in this section through the Commodity Credit Corporation. The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary or the Commodity Credit Corporation under any other provision of law. The funds required to be expended by section 16(c) for export activities are in addition to the funds required to be expended by section 135 of the Omnibus Budget Reconciliation Act of 1982.

Section 16(d) amends subsection (d) of section 4 of the Food for Peace Act of 1966 to provide that all funds received by the Commodity Credit Corporation in payment for credit extended under this section and under the Omnibus Budget Reconciliation Act of 1982, in connection with the export of agricultural commodities, shall be paid into the export credit revolving fund established under the 1966 Act. These funds may be used by the Commodity Credit Corporation to finance the export activities authorized in this section.

Section 16(d) further amends subsection (d) of section 4 of the Food for Peace Act of 1966 to—

(1) delete the provision requiring that the Secretary establish procedures to ensure that not less than 85 percent of the estimated amount of moneys in the export credit revolving fund in any fiscal year be used for commercial export sales and that no more than 25 percent of such moneys in such fund be made available for purposes of financing export sales to any one country;

(2) change the due date of the first annual report to Congress on the use of the export credit revolving fund from December 1, 1982 to December 1, 1985;

(3) delete the requirement that the export credit revolving fund be abolished effective October 1, 1985; and

(4) delete the limitation on the authority to incur obligations to make loans. (Under current law, the authority to incur obligations to make loans under section 4(d) of the Food for Peace Act of 1966 is capped by the annual limitations in appropriations Acts.)

Cotton

Section 17 provides that notwithstanding any other provision of law, in order to acquire a sufficient quantity of upland cotton to carry out the payment-in-kind (PIK) program for the 1983 crop of upland cotton, the Secretary of Agriculture shall solicit bids from producers of upland cotton, without limiting the amount of such bids, for sale to the Commodity Credit Corporation (CCC) of cotton pledged by such producers as security for nonrecourse loans made under section 103(g)(1) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(1)).

Under this bidding procedure the Secretary would be required to accept all bids submitted by cotton producers unless a bid exceeds, on a percentage basis, the amount of the highest bid received and accepted by the Secretary under the same bidding procedure for feed grains. This requirement would continue until the Secretary acquires sufficient stocks of cotton to carry out the PIK program for the 1983 crop of upland cotton, or until the Secretary has determined and made available to producers a reasonable period of time, of not less than 2 weeks, for purposes of submitting bids. The Secretary is also required to give any producer who has previously submitted a bid the opportunity to nullify such bid if the producer agrees to submit another bid under the terms of this section.

Under the bidding procedure for feed grains, producers of corn and sorghum submitted bids to CCC specifying the amount of the commodity which they desired to receive from CCC as compensation for reducing the loan collateral and selling the commodity to CCC for PIK purposes. From all of the bids submitted by feed grain producers, the Secretary accepted bids in amounts of up to 20 percent of the commodity offered for sale.

ADMINISTRATION VIEWS

At the time of filing this report, the Committee had not received a report from the Department of Agriculture setting forth the Administration's views on the Critical Materials Act.

The Commitee received a request, dated May 25, 1983, for introduction of legislation relating to target prices from the United States Department of Agriculture. A copy of that request, signed by Deputy Secretary Richard E. Lyng, along with a letter from Secretary of Agriculture John R. Block, dated June 23, 1983, expressing the Department's view on the reported legislation follow:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 23, 1983.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry,
United States Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the Department's position on legislation recently approved by your Committee.

The Committee recently ordered reported H.R. 2733, a bill which, among other things, would establish minimum target prices for the 1984 and 1985 crops at 1983 levels. We strongly support the target price provisions of H.R. 2733 for reasons we have shared with the Congress over the past few months. However, the upland cotton bid and export credit amendments are unnecessary and, therefore, the Administration opposes them.

After the signup for the payment-in-kind (PIK) program was completed, it became apparent that designated upland cotton loan stocks owned by participating producers which were to be made available to the Commodity Credit Corporation (CCC), together with other CCC stocks, would not be sufficient to satisfy the requirements of the PIK program. On May 11, the Department gave producers the opportunity to sell to CCC upland cotton which had been pledged as price support loan collateral but which had not been designated for the PIK program. Under the bid system, producers would submit a bid to CCC specifying the amount of upland cotton which they desired to receive from CCC as compensation for redeeming their loan collateral and selling it to CCC for PIK purposes. However, it was specified that CCC would accept no bids from upland cotton producers in excess of a seven percent premium.

The original bid period expired on May 26. On June 2, the bid period was extended for two more weeks. The bid period is now closed. We did not receive sufficient quantities of upland cotton to meet PIK needs. Therefore, we announced on June 17 that producers would be required, at our option, to make their 1983 crops of upland cotton available to CCC to meet PIK requirements. Growers had specifically agreed to make their 1983 crops of upland cotton available to CCC for PIK purposes, if necessary, when they signed their PIK contracts months ago.

The bid amendment in H.R. 2733 would require the Secretary to reopen bids for upland cotton which is needed by CCC to carry out the 1983 PIK program. The bid period would last until sufficient quantities of upland cotton were acquired, or for a reasonable period of time (but not less than two weeks). No limit would be established on the amounts bid, and no bids would be rejected unless they exceeded the bid amounts which were accepted by CCC in the acquisition of corn and sorghum for PIK purposes. This amendment would delay the delivery of PIK quantities and confuse producers. It is entirely unwarranted.

The export credit amendment would require expenditures of not less than $300 million of CCC funds for export activities already authorized by law in each of fiscal years 1984 and 1985. This minimum level would supersede the $175 to $190 million required to be used for export activities for each of the fiscal years 1984 and 1985 under provisions of the Omnibus Budget Reconciliation Act of 1982. Receipts from this new program and from export promotion expenditures already made under the Reconciliation Act would become start-up funding for an export credit revolving fund authorized by Section 4(d) of the Food for Peace Act of 1966. Most of the limitations on the revolving fund, including annual limitations provided in appropriations acts, the sunset date, and the 25 percent limit on credit to a single country, would be removed.

Our policy is to adjust the annual level and mix of export promotion programs so as to meet the needs that we perceive and to respond to changing economic conditions. In FY 1983, we have made

$350 million in direct export credits and $4.8 billion in export credit guarantees available to foreign buyers of U.S. agricultural products. This bill would force us to operate direct export promotion programs at a minimum of $300 million and would require the operation of a new export credit revolving fund. We believe that the Secretary should retain discretion in the operation and level of funding of these programs.

In addition to H.R. 2733, the Committee ordered reported a separate bill that includes a dairy price support program that we have stated would be acceptable to us only if contained in a package with the reductions in the 1984 and 1985 crop minimum target prices.

We appreciate the opportunity to comment on this legislation.

Sincerely,

JOHN R. BLOCK, *Secretary.*

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 25, 1983.

Hon. GEORGE H. W. BUSH,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed for the consideration of the Congress is a proposed bill "To improve programs for the stabilization of agricultural prices and production."

This Department recommends enactment of the proposed legislation.

Section 2 of this proposed legislation would amend the Agricultural Act of 1949 by authorizing the Secretary of Agriculture to establish target prices for the 1984 and 1985 crops of wheat, corn, upland cotton and rice at such level as the Secretary determines to be appropriate. However, the level of target prices established could not be less than the level of target prices established for the 1983 crops of these commodities. The Agricultural Act of 1949 currently mandates increases in the target prices for these commodities for the 1984 and 1985 crops. These increases will provide incentives for excessive production at a time when market signals do not call for increases. The increased production will likely result in the Government acquiring large stocks of these commodities under the price support programs. By giving the Secretary the discretionary authority to establish the 1984 and 1985 target prices at not less than the 1983 levels, there would be some assurance that future production would not be stimulated by Government program incentives to build up burdensome surpluses. Moreover, the significant reduction in inflation has eliminated the need for escalating target prices.

Section 3 of the proposed bill would amend Section 416 of the Agricultural Act of 1949 to authorize the donation of agricultural commodities overseas.

Section 416 currently authorizes the Commodity Credit Corporation (CCC) to donate only its stocks of dairy products overseas. However, CCC has surplus stocks of other agricultural commodities which could be used for this purpose. These other commodities, like the dairy products, can be used to help needy people in poor countries. Therefore, we request an amendment to Section 416 to allow the donation overseas of all stocks of agricultural commodities which are held by the Corporation. The expanded authority would be used to alleviate our stock situation and to benefit needy people. Such assistance would be in addition to existing food aid shipments by the United States Government and will be designed so as to assure that there would be no disruption of ongoing commercial trade. We would implement this additional authority in such a way as to meet these requirements. In view of the known magnitude of the malnutrition problem in poor countries, now is the time to take advantage of our excess stocks to remedy this problem.

Further we are requesting an amendment to Section 416 to require such surplus agricultural commodities to be distributed through the procedures established to carry out the provisions of Title II of the Agricultural Trade and Development Act of 1954. This will facilitate the coordination of commodities donated overseas under Section 416 with the existing donations program under Title II.

The Office of Management and Budget advises that enactment of this proposed legislation would be in accord with the President's program.

An identical letter has been sent to the Speaker of the House of Representatives.

Sincerely,

RICHARD E. LYNG,
Deputy Secretary.

Enclosure.

A BILL To improve programs for the stabilization of agricultural prices and production

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "Agricultural Amendments of 1982".

SEC. 2. Notwithstanding the provisions of sections 107B(b)(1)(C), 105B(b)(1)(C), 103(g)(3)(B) and 101(i)(2)(C) of the Agricultural Act of 1949, the Secretary may prescribe that the established price for the 1984 or 1985 crop of wheat, corn, upland cotton or rice shall be such price as the Secretary determines to be appropriate, but in no case shall the price be less than the minimum established price for the 1983 crop of the commodity.

SEC. 3. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended:

1. By striking out the last two sentences;

2. By inserting "(a)" immediately after "Section 416"; and

3. By adding the following new subsection:

"(b) Agricultural commodities (as defined in Section 402 of the Agricultural Trade Development and Assistance Act of 1954) acquired by the Commodity Credit Corporation through price support operations, which the Secretary determines meet the criteria specified in subsection (a), may be furnished by the Secretary for carrying out the provisions of Title II of the Agricultural Trade Development and Assistance Act of 1954. The provisions of Section 203 of that Act shall apply to commodities furnished under this subsection. The cost of commodities furnished under this subsection and expenses incurred under Section 203 of that Act in connection therewith shall be in addition to the level of assistance programmed under that Act and shall not be considered expenditures under that Act for purposes of provisions relating to classification of expenditures."

COST ESTIMATE

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee estimates that enactment of H.R. 2733 would result in costs to the Federal Government as shown in the following table. The Committee estimates that enactment of this legislation will result in no changes in costs to the Government from the CBO baseline for fiscal year 1983.

[In millions of dollars, by fiscal year]

	1984	1985	1986	1987	1988
Authorizations:					
Guyaule:					
Budget authority	7.5	8.5	10.0	11.5	12.5
Outlays	5.8	7.4	9.4	10.9	12.0
Direct spending:					
Target price freeze:					
Budget authority	–485	–1,562	–2,490	–2,897	–3,085
Outlays	–485	–1,562	–2,490	–2,897	–3,085
Export fund:					
Budget authority	–12	0	–234	–234	–134
Outlays	–12	–101	–234	–234	–134
Cotton:					
Budget authority	154	0	0	0	0
Outlays	138	0	0	0	0
Total direct spending:					
Budget authority	–343	–1,562	–2,724	–3,131	–3,219
Outlays	–359	–1,663	–2,724	–3,131	–3,219

The Committee estimate is in accordance with informal cost figures provided to the Committee by the Congressional Budget Office and represents changes from official baseline estimates of the Congressional Budget Office.

The Committee received no official estimate of costs from any Federal agency or from the Congressional Budget Office.

REGULATORY IMPACT EVALUATION

In compliance with subsection 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that would be incurred in carrying out H.R. 2733, as amended.

NUMBER OF INDIVIDUALS AND BUSINESSES AFFECTED

H.R. 2733 contains provisions to extend and improve the program of research, development, and demonstration associated with the production and manufacture of guayule rubber, and to broaden the program to include other critical agricultural materials.

No estimate is available for the number of individuals and businesses affected by the provisions for development of critical agricultural materials. The impact of these provisions would be determined by the amount of funds appropriated to carry out the program. Research and development, however, is not regulatory in nature. No additional regulation or cost would be imposed on individuals or businesses as a result of these provisions.

Another provision in H.R. 2733 would give the Secretary of Agriculture discretion to set the target price level for the 1984 or 1985 crop of wheat, feed grains, upland cotton, or rice at a level determined appropriate by the Secretary, but not lower than the level established for the 1983 crop of the commodity.

These changes would not require changes in the existing regulatory structure. The number of individuals and businesses affected by these changes is not quantifiable, as participation in the price support programs is voluntary, and the amount of participation is not known until the programs are in place and the sign-up period has ended.

H.R. 2733 would also require the Secretary of Agriculture to use not less than $300 million of Commodity Credit Corporation (CCC) funds, in each of Fiscal Years 1984 and 1985, for export activities. Funds received by the CCC in repayment for credit extended under this provision would become a part of the export revolving fund discussed below.

The Committee and Congress established an export revolving fund under Section 135 of the Omnibus Reconciliation Act of 1982. The provision in this bill would require that any funds repaid in connection with the extensions of export credit be placed in the revolving fund. The measure is not regulatory in nature, and would make no direct regulatory demands on individuals or businesses. The export programs developed under this authority would be voluntary in nature.

Finally, H.R. 2733, as amended, would provide a mechanism whereby the Secretary of Agriculture could obtain sufficient supplies of upland cotton to carry out the 1983 payment-in-kind program. The Secretary would be required to solicit bids for the sale of upland cotton to the Commodity Credit Corporation. The cotton, which is the subject of these bids, is currently pledged as security for nonrecourse loans made by CCC to the cotton producers. Until quantities of cotton sufficient to carry out the 1983 payment-in-kind program are acquired, or until a reasonable bid period has been made available to cotton producers, no bid shall be rejected unless it exceeds the amount (on a percentage basis) of the highest bid received and accepted by the Secretary under the same bid procedure for feed grains. Producers have not been required to participate in the payment-in-kind program. This provision is not a regulatory measure.

ECONOMIC IMPACT

As amended, the economic impact of H.R. 2733 would vary significantly by provision. Overall, the bill would promote a stronger agricultural system in the United States, would decrease government expenditures for farm price support programs, and would provide funding for a strong program for the promotion of agricultural exports.

The economic impact of a program for the development of guayule would be minimal in the short run. If funded by Congress, such research could lead to breakthroughs in production. If the research proved fruitful, increased production of this and other critical agricultural materials could have positive long-run effects on the U.S. economy.

The Committee's decision to end mandatory increases in target price levels and to give the Secretary of Agriculture authority to establish these levels for the 1984 or 1985 crop of wheat, feed grains, upland cotton, or rice should help to lower the cost of agricultural price support programs to the Federal Government. Furthermore, such action will act as a damper on domestic production of these commodities by sending correct price signals to producers.

The requirement to spend $300 million for agricultural export activities in Fiscal Years 1984 and 1985 will result in an improved export situation for U.S. producers in future years. The funding and maintenance of an export revolving fund within the CCC will enhance the status of U.S. agricultural exports and will provide the Secretary with the type of continuous funding necessary to build a strong export program.

Estimating the potential economic impact of the cotton provision of H.R. 2733 is difficult because of the bidding procedure employed. Under this procedure, the Secretary would be required to accept all bids submitted by cotton producers; unless a bid exceeds, on a percentge basis, the amount of the highest bid received and accepted by the Secretary under the same bidding procedure for feed grains. This requirement would remain in effect until the Secretary acquired sufficient stocks of cotton to carry out the payment-in-kind program for the 1983 crop of upland cotton, or until the Secretary has determined and made available a reasonable period of time, of not less than 2 weeks, for producers to submit their bids. The Secretary is also required to give any producer who has previously submitted a bid the opportunity to nullify such bid if the producer agrees to submit another bid under the terms of this section.

PERSONAL PRIVACY ACT

This bill would not have any impact on the personal privacy of the individuals affected.

PAPERWORK IMPACT

Any Government program which provides financial assistance must have clear implementing regulations to ensure proper program administration, the amount of new paperwork created under this provision would be comparable to that required under similar Government programs.

ROLLCALL VOTES

In accordance with paragraphs 7(b) and 7(c) of Rule XXVI of the Standing Rules of the Senate, it is announced that

1. A motion was offered to strike the language relating to target price program revisions in the Jepsen/Huddleston compromise on Target Prices and Export Initiatives and to maintain current law. The motion was defeated by a 7 to 10 vote as follows:

Yeas: Boschwitz, Andrews (by proxy), Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), and Heflin (by proxy).

Nays: Dole, Lugar, Cochran, Jepsen, Hawkins, Wilson, Hatch, Huddleston, Dixon (by proxy), and Helms.

2. A motion was offered to freeze the loan rates for all 1984 and 1985 crops at the 1983 levels. The motion was defeated by an 8 to 9 vote as follows:

Yeas: Andrews (by proxy), Huddleston, Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), Dixon (by proxy), and Heflin (by proxy).

Nays: Dole, Lugar, Cochran, Boschwitz, Jepsen (by proxy), Hawkins, Wilson, Hatch, and Helms.

3. A motion was offered to amend the Jepsen/Huddleston compromise by providing an additional $750 million to be allocated in fiscal years 1984 and 1985 for blended credit export activities. The amendment was rejected by a 6 to 9 vote as follows:

Yeas: Huddleston, Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren (by proxy), and Heflin.

Nays: Dole, Lugar, Cochran (by proxy), Boschwitz, Jepsen (by proxy), Hawkins (by proxy), Wilson, Hatch, and Helms.

4. A motion was offered (1) to maintain current law with respect to the target price levels for 1984 crops; and (2) to freeze target price levels for 1985 crops at the 1984 levels. The motion was defeated by an 8 to 8 vote as follows:

Yeas: Boschwitz, Andrews (by proxy), Huddleston, Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren, and Heflin (by proxy).

Nays: Dole, Lugar, Cochran (by proxy), Jepsen (by proxy), Hawkins (by proxy), Wilson, Hatch, and Helms.

5. A motion was offered to accept the Jepsen/Huddleston compromise on Target Prices and Export Initiatives as amended. The motion was approved on a 10 to 7 vote as follows:

Yeas: Dole, Lugar, Cochran (by proxy), Jepsen, Hawkins (by proxy), Wilson, Hatch, Huddleston, Dixon (by proxy), and Helms.

Nays: Boschwitz, Andrews (by proxy), Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren, and Heflin (by proxy).

6. A motion was offered to order reported H.R. 2733, the "Critical Agricultural Materials Act", as amended by the inclusion of the Jepsen/Huddleston Target Price and Export Initiative provisions. The motion was approved on a 10 to 7 vote as follows:

Yeas: Dole, Lugar, Cochran, Jepsen, Hawkins (by proxy), Wilson, Hatch, Huddleston, Dixon (by proxy), and Helms.

Nays: Boschwitz, Andrews (by proxy), Zorinsky (by proxy), Melcher, Pryor (by proxy), Boren, and Heflin.

MINORITY VIEWS OF SENATOR EDWARD ZORINSKY CONCERNING SENATE AGRICULTURE COMMITTEE ACTION TO FREEZE TARGET PRICES FOR 1984-85 AT 1983 LEVELS

Accepting a freeze on target prices in exchange for only a vague export promotion scheme financed with funds cut from farm price support payments is not my idea of how to help the Nation's farmers.

Farmers are tired of hearing about grandiose schemes to promote exports, especially when the Administration has failed to take other steps that could boost exports without sacrificing price support payments.

In the 1981 Farm Bill Congress authorized "such sums as are necessary" for carrying out an export expansion program. Not only are we going in circles—rubber-stamping something we authorized two years ago—but we are doing it at the expense of the farmer. We are proposing to take millions out of the pocket of the farmer to fund a program that is already authorized in the interest of expanding agricultural exports—the Export Credit Revolving Fund.

It is an insult to farmers' intelligence to ask them to give up income assured under the 1981 Farm Bill in favor of an export trade promotion program.

The Administration's proposed freeze would eliminate the minimal increases in target prices approved when Congress enacted the four-year farm bill in 1981.

For example, under the existing program, the corn target price would increase 17 cents in 1984, to $3.03 per bushel, and 15 cents more in 1985. For wheat, the increase would be 15 cents in 1984, to $4.45 per bushel, and 20 cents in 1985.

Congress acted correctly two years ago when it voted to provide farmers this protection from inflation. To break faith with them now, in midstream, is grossly unfair.

Nineteen organizations are on record in opposition to the target price freeze as follows:

National Farmers Organization
National Association of Wheat Growers
National Grange
National Milk Producers Federation
Grain Sorghum Producers Association
National Peanut Growers Association
National Association of Farmer-Elected Committeemen
Cooperative League of the United States
National Rural Electric Cooperative Association
Women Involved in Farm Economics (WIFE)
Mid-Continent Farmers Association
Central Exchange Farm Cooperatives (CENEX)
Communicating for Agriculture
American Agricultural Movement

National Rice Growers Association
Hawaiian Sugar Planters Association
Southwest Peanut Growers Association
Northeast Area Agricultural Association
National Farmers Union

I submit that deficiency payments are a more direct way to put money into farmers' pockets. We're saying we're going to increase exports. I think the farmers have had it up to their ears with we're going to increase exports.

We have created agricultural sectors within the embassies. We have appointed special agricultural officers. We have a blended credit program, and now we're going to take more money away from the farmer and even give him a better export program.

What the farmer doesn't need is the kind of export programs we've been giving him thus far. And I think they would rather have the deficiency payments than to finance an export program by taking the money out of their pockets, creating a bigger export market for them so they can earn money based on how they have earned money up to now on the promises of increased exports.

I also object to the Committee being forced to act on the Administration's proposal without any detailed knowledge of the wheat and feed grain programs for 1984. Without these program details, we are unable to even guess what effect the Committee's decisions will have on farmers. In particular, I am troubled by the suggestion that the Agriculture Department may substantially reduce price support loan levels for 1984. This means that the market price floor will sink, and I strongly believe that the impact of such a policy change should have been measured before the Committee action to cut farm income by freezing target prices.

The compromise adopted by the Committee would direct that $600 million of the "savings" from the $3.9 billion target price freeze would be placed in the export credit revolving fund to finance future sales, along with future loan repayments. Simply providing more export money to USDA does not assure that it will be spent. The Agriculture Department is currently sitting on $750 million (as stated in their Wheat Outlook and Situation Report) provided by Congress to use in the blended credit program. Further, we understand that credit programs are under review at OMB, and it appears that the blended credit program will not be used to develop markets, but solely to respond to competition from the European Community.

It does no good to take target price payments from farmers and pile them on USDA for export credit initiatives that will not be undertaken. Although, $5.15 billion has been allocated for agricultural export programs by the Administration in FY 1983, exports this year are projected to drop by 10 percent to $35.6 billion. The decline will be both in volume and value, with wheat accounting for three-fourths of the nine million ton drop in sales. Wheat exports may be down eight percent in 1983–84, following a 14 percent drop last season. The U.S. share of the world wheat market is projected to drop below 40 percent for the first time since 1971–72.

With this background, how can it be said that the Senate Agriculture Committee's compromise will generate the income that farmers need from the marketplace? I think it is clear that $300 million a year in export financing cannot turn-the-tide for exports, and it will not put the money back in the pockets of farmers that is lost by the target price freeze and a possible drop in loan rates. The Committee's compromise will reduce net farm income in 1984 and 1985.

The deficiency payment loss to farmers in 1984 and 1985 will come off the top of what would be their net profit. I am not against export financing, but I think we're fooling ourselves if we believe that this bill is going to both save money and help farmers in FY 1984.

Further, I am distressed that this step represents a breaking of faith with farmers who counted on the 1981 Agriculture Act for setting a policy which they could count on.

When the 1981 Farm Bill was handled on the floor of the Senate, nearly 50 amendments were considered. Many of them were adopted by voice vote or with a recorded vote.

Many of those amendments, the related debates and counter moves centered on the level of loan rates to be established on the major commodities over a four-year period and the target price levels to become applicable to grains, cotton and rice.

Some of my colleagues who were most active in pressing for the Administration's views in these subject areas were successful in forcing the adoption of loan rate minimums and the applicable target prices by substantial margins in the recorded votes.

You will recall that we were uncertain of our ability to cope with inflation at that time, and it is my clear recollection that the Administration and some of the leaders in the majority party in the Senate insisted on abandoning any reference to the cost of production or parity in establishing these important price support levels. They insisted on naming specific amounts for each of the annual programs.

Regardless of whether we wish to be reminded of our responsibility, I think it important that we acknowledge now that when that 1981 bill became law, we assured the American farmer that he could make long-term plans based on its provisions.

Senators will also recall, I am sure, that farmers, as well as other borrowers, were faced with interest rates ranging from 15 to 20 percent at that time. Many of the debts assumed in 1981 and 1982 are still to be repaid—the interest rates have not been lowered on those loans.

Even when we think now of new loans at interst rates somewhat reduced from the highs of two and three years ago, it is apparent they are already beginning to rise again.

So what are we doing in this bill—we are simply breaking faith with the producers of the major commodities, grains, cotton and rice, on a commitment we made to them in this Senate less than two years ago. For my part, I want to be certain of some exemption from that label.

I don't like for our government to welch on its commitments. As a matter of fact, we would not do so in the conduct of foreign affairs with other nations. We would not do it to the insurance industry or the banking industry and get away with it. I hope those who have been most active in shaping this bill will be just as forceful and persistent in explaining their actions to the American farmer.

Furthermore, I hope that members of the Senate realize they are taking an unprecedented action in dealing with farmers and ranchers of this country.

Another area of concern should be clearly identified for those who may choose to vote for this package. Since the Administration, which must announce and administer our programs for at least another two years, has refused to use the full authority extended by the Congress to expand exports of farm commodities, it is only fair to assume that any pretext of committing more funds to the expansion of exports set forth in this bill will probably be properly labeled a sham after it is subject to certain policy decisions in the Executive Branch.

The Senate is urged to turn back this bill. It was a mistake for our Committee to comply with the wishes of the Director of OMB. The savings are not sufficient to warrant this legislation.

MINORITY VIEWS OF SENATOR JOHN MELCHER

The action of the Senate Agriculture Committee in freezing target prices for wheat, corn, upland cotton and rice is an action that reduces farm income, anticipates yet lower market prices for farm producers, and is designed to reduce agricultural production, which will have wide ranging changes in food policy in this country and throughout the world. Both this reduction of income protection for farmers coupled with the payment-in-kind program is a clear statement that we are moving in the direction of eliminating the production from scores of millions of acres of farm land in the United States. I am convinced that this is unwise and poor food policy.

Agriculture is the productivity leader in the entire American economy. American agriculture leads the world in cost effective production that results in the world's greatest food supplies at the world's lowest prices. No other countries are even close.

We hear a great deal about the plight of the steel industry and the auto industry. These industries clearly have very serious production problems that have made it difficult for them to remain competitive in an increasingly interdependent world market.

However, when a Third World country wants to learn how to improve their agriculture, they don't send a delegation to Japan or West Germany—they come to the U.S. and witness farm operations in Montana, Kansas, Nebraska, Iowa, Illinois, California or other of our states and they visit land grant colleges and marvel at both our agricultural research and its practical applications both to our farms and agri-business.

The American farmer is increasingly being made to feel guilty over his own success. Nearly all of the analyses of current farm problems suggest that the biggest problem is over-production—if only farmers didn't produce so much, prices would go up.

That analysis begs the facts and, in the course of history, will be derided as blatant hogwash. Nutritional levels on the average are good in the United States, but even here we have millions of people who know hunger at various times during the week or month or year. There are other millions of people in the world who are under-nourished.

The whole idea of farming—in fact, the whole idea of civilization—is that an individual farmer can produce more than it takes to feed his immediate family. If farmers can't do that, then there is no way to support cities and industries and culture. Food is the most basic need of mankind. The growth of civilization is directly tied to the capacity of any one farmer to feed more people than his immediate family.

Now there is yet a further more to reduce food supplies. The Administration's plan to freeze target price protection for grain, cotton and rice farmers in 1984 and 1985 and the Agriculture Committee's compromise to set-aside some of the savings achieved from the farm income cut for agricultural export credits represent a disservice to the nation's farmers and ranchers.

In the first place, the Administration has not let anyone know what the wheat and feed grain programs will be or when they will be announced for 1984 crops by Secretary Block. Without these program details, farmers and the public are in the dark. The Agriculture Department will substantially reduce price support loan levels for 1984, and that is bad. The market price floor will sink, and I strongly believe that the impact of such a policy change should have been measured before the Committee acted to cut farm income by freezing target prices.

The compromise adopted by the Committee would direct that $600 million of the "savings" from the $3.9 billion target price freeze would be used to finance future agricultural sales, with future loan repayments placed in the export credit revolving fund. Simply providing more export money to USDA does not assure that it will be spent. The Agriculture Department is currently sitting on $750 million (as stated in their Wheat Outlook and Situation Report) provided by Congress to use in the blended credit program. Further, we understand that credit programs are under review at OMB, and it appears that the blended credit program will not be used to develop markets, but solely to respond to competition from the European Community.

It does no good to take target price payments from farmers and pile them on USDA for export credit initiatives that will not be undertaken. Although $5.15 billion has been allocated for agricultural export programs by the Administration in Fiscal Year 1983, exports this year are projected to drop by 10 percent to $35.5 billion. The decline will be both in volume and value, with wheat accounting for three-fourths of the nine million ton drop in sales. Wheat exports may be down 8 percent in 1983-84, following a 14 percent drop last season. The U.S. share of the world wheat market is projected to drop below 40 percent for the first time since 1971-72.

With this background, how can it be said that the Senate Agriculture Committee's bill will generate the income that farmers need from the marketplace? But it will reduce net farm income in 1984 and 1985.

And there is also the matter of the budget "savings" accomplished by this bill. We know that David Stockman at OMB has directed Secretary Block to accept the compromise dairy plan only if target prices are frozen, and it would appear that grain farmers are being asked to finance the dairy program. Further, the "savings" for FY 1984 of $485 million due to the target freeze amounts to only one percent of USDA's projected spending, and the Committee has taken $300 million of this amount to put into exports. I am not against export financing, but I think we're fooling ourselves if we believe that this bill is going to both save money and help farmers in FY 1984.

I regret that my amendments to set minimum loan rates at current levels and to compromise by freezing only the 1985 target levels were defeated within the Committee. These amendments would have assured us that farm income would be protected during the Administration's operation of 1984 farm programs.

Further, I am distressed that this step represents a breaking of faith with farmers who counted on the 1981 Agriculture Act for setting a policy which they could count on.

Much of the related debates on that bill centered on the level of loan rates to be established on the major commodities over a four-year period and the target price levels to become applicable to grains, cotton and rice.

I believe it important that we acknowledge now that when that 1981 bill became law, we assured the American farmer that he could make long-term plans based on its provisions.

Senators will also recall, I am sure, that farmers, as well as other borrowers, were faced with interest rates ranging from 15 to 20 per cent at that time. Many of the debts assumed in 1981 and 1982 are still to be repaid—the interest rates have not been lowered on those loans.

Even when we think now of new loans at interest rates at 13 percent to 15 percent it is apparent they are already beginning to rise again.

This bill breaks faith with the producers of grain, cotton and rice, on a commitment we made to them in this Senate less than two years ago.

I don't like for our government to renege on its commitments. As a matter of fact, we would not do so in the conduct of foreign affairs with other nations. We would not do it to the insurance industry or the banking industry. The Senate should realize the bill takes an unprecedented action in dealing with farmers and ranchers of this country.

Another area of concern should be clearly identified for those who may choose to vote for this package. Since the Administration, which must announce and administer our programs for at least another two years, has refused to use the full authority extended by the Congress to expand exports of farm commodities, it is only fair to assume that any pretext of committing more funds to the expansion of exports set forth in this bill will probably be properly labeled a sham after it is subjected to policy decisions in the Executive Branch.

The Senate is urged to turn back this bill. The savings are not sufficient to warrant this legislation.

John Melcher.

MINORITY VIEWS OF SENATORS DAVID BOREN AND DAVID PRYOR

We are deeply disappointed that the Senate Agriculture Committee has approved the Administration's proposal to freeze the target prices for wheat, feed grains, cotton and rice at the 1983 levels, without first requiring the Secretary to announce the specifics of the 1984 farm program. Despite the fact that $600 million of the savings that results from this freeze will be targeted to exports for these commodities, the freeze will result in decreasing the already devastatingly low net farm income of our farmers.

Proponents of this legislation have argued that the cost of farm programs has risen too dramatically and therefore cuts need to be made. However, we would remind our colleagues that the costs are the result of the ineffective administration of farm programs, not the result of high target prices. If this Administration had come forward with a decent farm program in 1981, we wouldn't be in the situation in which we find ourselves today. Additionally, it was barely a year ago that we offered an amendment to the Omnibus Reconciliation Act which would have created a more cost-effective farm program by implementing a 10 percent paid diversion for each of these crops. The Administration, as well as many of the proponents of this legislation, would not accept the cost-effective program. Instead, they decreased the effectiveness of the program in Conference Committee by cutting in half the amount of diversion we had agreed to in the Senate, and that the House had concurred with. If this Administration and some of the proponents of this bill were really serious about budget deficits, they would have been working with us instead of against us last year.

Despite the evidence that has been around for a year, it took this Administration until January of 1983 to recognize the need to implement a decent acreage reduction program. And, when they did recognize it, they implemented the most costly program that has ever existed. We still maintain that a paid diversion program would have been more cost-effective in the short-term as well as in the long run. And, we remind our colleagues that it is the long run situation that creates our budget deficits.

In our opinion, it is extremely unfair to ask Congress to freeze target prices without knowing what the 1984 programs will be, particularly the 1984 wheat program. This becomes extremely important when one considers the fact that this Administration intends to lower the loan rates of these commodities to some extent. Indeed, if the proponents of this legislation were really serious about balancing our budget, they, too, would insist upon knowing what these loans are going to be. The fact of the matter is the only thing that adds to the deficit is the deficiency payment. The maximum deficiency payment is the difference between the loan rates and the target prices for the particular commodities. If the Administration lowers the loan rates, it could, in effect, negate any and all savings of this legislation.

During the Committee debate, one of the proponents of this compromise legislation, which includes the funding for exports, argued that the increased exports would make up for the income lost as a result of this legislation. Under this legislation, $300 million would go to exports each year. According to a Chase Econometrics Study conducted for the Natonal Association of Wheat Growers, wheat exports alone would have to increase a minimum of 44 percent, or 622 million bushels, above the current estimate for 1983 through 1984 to generate a season average price which would make up the difference in income lost by this legislation. There is no way that we will sell 622 million bushels for $300 million in exports, much less make up the differences for the income lost in other commodities.

It is also doubtful, considering the performance of this Administration in regard to exports, that the money allocated in this legislation will ever be spent. The Agriculture Department, according to the Wheat Outlook and Situation Report, is currently sitting on $750 million provided by Congress to use in the vital blended-credit program. Additionally, credit programs are being reviewed by OMB and it now appears that the blended-credit program will not be used to develop markets, but solely to respond to competition from the European Community. The track record of this Administration certainly does not illustrate a real interest in maintaining or increasing agricultural exports. For example, concessional agricultural exports under U.S. government financed programs totalled $1.27 billion in calendar year 1982, 9 percent less than those in 1981. Exports under P.L. 480 in 1982 were 11 percent below those of a year earlier. Partially as a result of this track record, U.S. agricultural exports fell to $18.1 billion during the first six months of fiscal year 1983, 17 percent below those of the same period a year earlier. Wheat shipments alone are 17 percent below a year ago, and cotton exports are a third below those of one year ago.

Proponents of this legislation have also argued that when the 1981 Farm Bill was enacted, inflation was at a much greater level and therefore the increases scheduled are inappropriate considering the current inflation rate. However, if we examine the wheat program alone, we find that the 1984 target price of $4.45 that is in current law represents only 60 percent of the June 1983 parity level for wheat, not the 1984 parity level. Further, $4.45 represents 59 per cent of the total cost of production, including land at the current value, assuming a meager inflation rate of 3 percent.

Now is obviously not the time to reduce the net income of our agricultural producers. Clearly, the American farmer, without knowing what the 1984 programs are going to be, is being asked by this legislation to pay for the administrative mishandling of our commodity programs by this Administration. We would urge our colleagues in the Senate to oppose this legislation.

DAVID L. BOREN.
DAVID PRYOR.

CHANGES IN EXISTING LAW

In compliance with paragraph 12, of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown is roman):

NATIVE LATEX COMMERCIALIZATION AND ECONOMIC DEVELOPMENT ACT OF 1978

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ⟦That this Act may be cited as the "Native Latex Commercialization and Economic Development Act of 1978"⟧ *That this Act may be cited as the "Critical Agricultural Materials Act".*

SEC. 2. (a)*(1)* Congress recognizes that natural latex rubber is a commodity of vital importance to the economy, the defense, and the general well-being of the Nation. The United States is totally dependent upon foreign sources for its supplies of natural (Hevea) latex, which total about one million tons per year. Synthetic rubber, manufactured from petroleum feedstocks, cannot be substituted for natural robber.

⟦(b)⟧ *(2)* Congress further recognizes that certain plant species of the genus Parthenium (Guayule), native to Texas and the Republic of Mexico, as well as other plants, are known to contain commercial quantities of extractable rubber. During World War II, through research carried out by the Secretary of Agriculture in the Emergency Rubber Project, the United States demonstrated that Parthenium latex is a promising and realistic substitute for Hevea latex.

⟦(c)⟧ *(3)* Congress further recognizes that additional research and development are needed, especially into methods for increasing latex yields, before commercialization of native Parthenium latex or other hydrocarbon-containing plants by private industry is feasible.

⟦(d)⟧ *(4)* Congress further recognizes that the development of a domestic natural rubber industry, based on Parthenium and other hydrocarbon-containing plants, would not only relieve the Nation's dependence upon foreign latex sources but also convey substantial economic benefits to peoples living in arid and semiarid regions of the United States. Such an industry would comprise the agricultural production of the hydrocarbon-containing plants and the development of commercial processing and manufacturing facilities to extract the latex and other products.

⟦(e) Congress further recognizes that ongoing research into the commercialization of native latex has been conducted by the Department of Agriculture and by the Department of Commerce through the regional commissions and that these research efforts should be continued and expanded.]

(5) Congress further recognizes that ongoing research into the development and commercialization of native latex has been conducted by the Department of Agriculture, the Department of Commerce, the National Science Foundation, and other public as well as private and industrial research groups, and that these research efforts should be continued and expanded.

[(f) It is the policy of the Congress, therefore, to provide for the development and demonstration of economically feasible means of culturing and manufacturing Parthenium and other hydrocarbon-containing plants for the extraction of natural rubber and other products to benefit the Nation and promote economic development.]

(b) In addition, Congress recognizes that the development of a domestic industry or industries for the production and manufacture from native agricultural crops of products other than rubber which are of strategic and industrial importance but for which the Nation is now dependent upon foreign sources would benefit the economy, the defense, and the general well-being of the Nation, and that additional research efforts in this area should be undertaken or continued and expanded.

(c) It is therefore the policy of the United States to provide for the development and demonstration of economically feasible means of culturing and manufacturing Parthenium and other hydrocarbon-containing plants, along with other native agricultural crops, for the production of critical agricultural materials to benefit the Nation and promote economic development.

SEC. 3. As used in this Act—

(a) The term "State" means each of the fifty States, the District of Columbia, and the Commonwealth of Puerto Rico.

(b) The term "Secretaries" means the Secretary of Agriculture and/or the Secretary of Commerce acting each separately or jointly.

(c) The term "commercialization" means the stage in the development or advancement of a technology at which point private enterprise is willing to invest in a full-scale production facility.

[(d) The term "native" means hydrocarbon-containing plants which may be cultured in North America, especially members of the genus Parthenium known as Guayule.]

(d) The term "native" means hydrocarbon-containing plants and other agricultural crops of strategic and industrial importance which may be cultured in North America, especially plants which are members of the genus Parthenium known as Guayule.

[(e) "Regional Commissions" means the Regional Action Planning Commissions established pursuant to title V of the Public Works and Economic Development Act of 1965.]

SEC. 4. (a) There is hereby established a Joint Commission on [Guayule Research and Commercialization] *Research and Development of Critical Agricultural Materials,* hereinafter referred to as the Joint Commission. The function of the Joint Commission shall be to assist the Secretaries in carrying out the purposes of this Act.

[(b) The Joint Commission shall consist of the following members: Three individuals designated by the Secretary of Agriculture from among the staff of his Department; three individuals designated by the Secretary of Commerce at least two of whom shall be Federal Cochairmen of Regional Commissions engaged in the support of native latex research, development, demonstration, or commercialization activities and one of whom shall be selected from among the members of his Department; a representative of the Bureau of Indian Affairs of the Department of the Interior; and a representative of the National Science Foundation.]

(b) The Joint Commission shall consist of the following members: Three individuals designated by the Secretary of Agriculture from among the staff of the Department of Agriculture; three individuals designated by the Secretary of Commerce from among the staff of the Department of Commerce; a representative of the Bureau of Indian Affairs of the Department of the Interior; a representative of the National Science Foundation; a representative of the Department of State; a representative of the Department of Defense; and a representative of the Federal Emergency Management Agency. Each of the members of the Joint Commission shall be an individual who, on behalf of the Department or agency which such individual represents, is engaged in the support of research, development, demonstration, and commercialization activities involving native latex and the production of other critical agricultural materials from native agricultural crops.

[(c) The Joint Commission shall be headed by a Chairman. The Secretary of Agriculture shall designate one of the two members from his Department to serve as Joint Commission Chairman during the first two-year period following the enactment of this Act, and the Secretary of Commerce shall designate one of the two members from his Department as Joint Commission Chairman during the second two-year period following the enactment of this Act. And the same process of designating Joint Commission Chairman shall be followed in ensuing years.]

(c) The Joint Commission shall be headed by a Chairman who shall be selected by the Secretary of Agriculture from among the three individuals designated by the Secretary as members under subsection (b).

(d) The Secretaries may delegate to the Joint Commission one or more of their responsibilities under this Act and transfer to the Joint Commission funds appropriated to carry out the purposes of this Act as they deem appropriate to achieve the purposes of this Act, and the Joint Commission is authorized to carry out such functions and expend such funds to achieve the purposes of the Act.

(e) The Joint Commission shall—

(1) develop a plan establishing goals, timetables, and tasks to be undertaken in carrying out the purposes of this Act;

(2) establish broad policy for implementing the plan carrying out the purposes of this Act;

(3) establish criteria for evaluating and awarding contracts for research, development, and demonstration projects; and

(4) review and advise the Secretaries with respect to grants, contracts, and other project expenditures.

(f) The Secretaries are authorized to provide without reimbursement such administrative support services, including the detail of staff personnel not to exceed a total of five persons from each Department, as the Joint Commission may need to carry out its functions.

(g) One year after the enactment of this Act, and each year thereafter, the Joint Commission shall provide to the Congress a report on the implementation of the Act. Such report shall (1) recommend specific directions for further research, development, and other work, and (2) recommend funding levels for various elements of the overall project.

(h) To the maximum extent possible, the Secretaries and the Joint Commission shall seek the advice of the scientific, engineering and business communities with respect to the activities carried out under this Act. The Secretaries and the Commission shall specifically seek the advice of persons with expertise in appropriate fields of agricultural research in land grant colleges and other universities, in State agricultural experiment stations, and in other appropriate organizations; and, persons with expertise [rubber manufacturing and commerce] *manufacturing and commerce involving rubber and other critical agricultural materials* in private enterprise and other appropriate organizations.

SEC. 5. [The Secretary of Agriculture shall conduct, sponsor, promote, and coordinate basic and applied research, technology development, and technology transfer leading to effective and economical methods for large-scale culturing of plantations and the extraction of latex from Parthenium or other hydrocarbon-containing plants.] *(a) The Department of Agriculture shall be the lead agency in carrying out this Act.*

(b) The Secretary of Agriculture shall conduct, sponsor, promote, and coordinate basic and applied research, technology development, and technology transfer leading to effective and economical methods for large-scale culturing of plantations and the extraction of latex from Parthenium or other hydrocarbon-containing plants, and for the development of other critical agricultural materials from native agricultural crops having strategic and industrial importance. Such research shall include, but not be limited to—

[(a)] *(1)* carrying out extensive seed collections from wild plants in Texas, Mexico, and other areas and borrowing or purchasing seeds from other sources;

[(b)] *(2)* developing a stockpile of Parthenium seeds, such stockpile to be appropriately classified and stored at a suitable facility;

[(c) carrying out breeding and selection programs for the purpose of improving latex yields, expanding insect and disease resistance, and broadening the ranges of drought and cold tolerance of the Parthenium plant;]

(3) accelerating present plant breeding, genetics, and selection programs for the purpose of improving and increasing latex yields, expanding insect and disease resistance, broadening the ranges of drought and cold resistance of the Parthenium plant, and providing a system of regional research trials for enhancing and increasing the supply of foundation seed for certified seed production;

[(d) establishing a system of experimental plantings in arid and semiarid regions of the United States having suitable climatic and soil conditions for the culture of Parthenium;]

(4) establishing a system of large-scale experimental plantings (aggregating ten thousand acres or more) to provide shrub for feedstock to process in the developmental rubber processing facility described in paragraph (7);

[(e)] *(5)* carrying out specific studies on the effects of irrigation on plant growth and latex yield and survival potential;

[(f)] *(6)* developing equipment needed to carry out nursery operations, planting, cultivating, harvesting, transporting the crop, and other necessary agricultural activities;

[(g) further refining present extraction technologies and future extraction technologies, including technologies which utilize solar energy; and]

(7) accelerating the refinement of present extraction and processing technologies and future extraction technologies, including the development and construction of a developmental rubber processing facility for the extraction and production of test quantities of guayule natural rubber;

[(h)] *(8)* establishing and maintaining a bank of all pertinent research data on native latex including extant United States Government publications and records from the emergency rubber project. Such data shall be made available to other Federal and State agencies and private persons who are interested or involved in native latex research, development, or manufacture[.] *; and*

(9) studying the economic feasibility of developing other native agricultural crops (in addition to Perthenium and other hydrocarbon-containing plants) that would supply critical agricultural materials for strategic and industrial purposes, and, to the extent appropriate, carrying out research activities with respect to such crops in the manner specified in paragraphs (1) through (8).

(c) The Secretary of Agriculture shall establish within the Department of Agriculture an Office of Critical Agricultural Materials, as a central location where such Department can address research and development with respect to agricultural crops that have the potential of producing critical materials for strategic and industrial purposes.

SEC. 6. The Secretary of Commerce is authorized and directed to initiate and carry out research, technology development, technology transfer, and demonstration projects to test and demonstrate the economic feasibility of the manufacture and commercialization of natural rubber from Parthenium or other hydrocarbon-containing plants *or the manufacture and commercialization of other critical agricultural materials from native agricultural crops having strategic and industrial importance.* Such research [may be carried out through the Regional Commissions or otherwise and] shall include but not be limited to—

(a) conducting research and development on extraction and processing techniques;

(b) economic analysis of the production of native latex, including usable byproducts;

(c) studying the environmental, social, and economic impacts of the commercial development of native latex;

(d) evaluating the commercial marketability of Parthenium and rubber derived from other hydrocarbon-containing plants;

(e) further refining present extraction and manufacturing technologies and future extraction and manufacturing technologies, including technologies which utilize solar energy; [and]

(f) developing pertinent material and records on manufacturing of natural rubber which shall be available to other Federal and State agencies and private persons who are interested in or involved in natural rubber development, or manufacture[.] *; and*

(g) to the extent appropriate, carrying out research activities with respect to native agricultural crops (other than Parthenium and other hydrocarbon-containing plants) that would supply critical agricultural materials for strategic and industrial purposes, in the manner specified in clauses (a) through (f).

SEC. 7. The Secretaries, in consultation with the Secretary of State, are authorized and encouraged to enter into cooperative projects with the Government of Mexico, *the Government of Australia, and the Government of Israel* in order to accomplish appropriate aspects of the research and development provided for in this Act. Such cooperative projects should include, but not be limited to, projects to determine the economic feasibility of [latex extraction and processing] *extraction and processing of latex and other critical agricultural materials produced in the United States.*

SEC. 8. The Secretaries are authorized to accept financial or other assistance from any State or public agency to aid in carrying out the provisions of this Act and to enter into contracts with respect to such assistance and to enter into agreements with any State or public agency for the purpose of demonstrating, transferring, or applying results of research or methods of economic development relating to native latex *or to other critical agricultural materials.*

SEC. 9. In carrying out the provisions of this Act, the Secretary of Agriculture is authorized to—

(a) make grants to States, education institutions, scientific organizations, and Indian tribes as defined in the Indian Self-Determination and Education Assistance Act (Public Law 93-638, 25 U.S.C. 450), and enter into contracts with such institutions and organizations and with industrial or engineering firms;

(b) acquire the services of biologists, agronomists, foresters, geneticists, chemists, engineers, economists, and other personnel by contract or otherwise;

(c) utilize the facilities of Federal and State scientific laboratories;

(d) establish and operate necessary facilities and plantations to carry out the continuous research, testing, development, and programing necessary to effectuate the purposes of this Act;

(e) acquire secret processes, technical data, inventions, patent applications, patents, licenses, land and interest in land (including water rights), facilities, and other property or rights by purchase, license, lease, or donation;

(f) assemble and maintain pertinent and current literature and publications, patents and licenses, land and interests in land;

(g) cause onsite inspections to be made of promising projects, domestic or foreign, and, in the case of projects located in the United States, cooperate and participate in their development when the Secretary determines that the purpose of this Act will be served thereby;

(h) foster and participate in regional, national, and international conferences relating to native latex culture *or the culture of other native agricultural crops which could supply critical agricultural materials;*

(i) coordinate, correlate, and publish information with a view to advancing the development of native latex technology *or the technology of other native agricultural crops which could supply critical agricultural materials;* and

(j) cooperate with other Federal departments and agencies, with State and local departments, agencies, and instrumentalities, and with interested persons, firms, institutions, and organizations.

Sec. 10. In carrying out [the provisions of this section] *the provisions of this Act,* the Secretary of Commerce [, acting through the Regional Commissions or otherwise,] is authorized to—

(a) make grants to States, education institutions, scientific organizations, and Indian tribes as defined in the Indian Self-Determination and Education Assistance Act (Public Law 93-638, 25 U.S.C. 450), and enter into contracts with such institutions and organizations and with industrial or engineering firms;

(b) acquire the services of biologists, agronomists, foresters, geneticists, engineers, economists, and other personnel *having expertise in native agricultural crops which could supply critical agricultural materials* by contract or otherwise;

(c) utilize the facilties of Federal and State institutions and other scientific laboratories;

(d) establish and operate necessary facilties and pilot plants to carry out the continuous research, testing, development, and programing necessary to effectuate the purposes of this section;

(e) acquire secret processes, technical data, invention, patent applications, patents, licenses, land and interests in land (including water rights), plants and facilities, and other property or rights by purchase, license, lease, or donation; and

(f) foster and participate in regional, national, and international conferences relating to [natural rubber manufacture] *the activities authorized by this Act.*

Sec. 11. In carrying out the provisions of this Act, the Secretaries and the Joint Commission [shall insure that their activities are closely coordinated with the activities of other Federal agencies] *shall cooperate with each other in the conduct of their activities under this Act, and shall insure that their activities under this Act are closely coordinated with the activities of other Federal agencies* such as the Department of the Interior, National Science Foundation, Bureau of Indian Affairs, Department of Energy, *Department of State,* Department of Defense, Treasury Department, [Federal

Preparedness Agency, and others] *Federal Emergency Management Agency, and others,* in order to prevent duplication of effort, insure compatibility with ongoing programs and policies, and to fully exploit the opportunities inherent in the culture and manufacture of native latex.

SEC. 12. Relative to the definitions of, title to, and licensing of inventions made or conceived in the course of or under any contract or grant pursuant to this Act, and notwithstanding any other provisions of law, the provisions of sections 9 and 10 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908-9) shall govern.

SEC. 13. [The Secretary of Agriculture and the Secretary of Commerce] *The Secretaries* may dispose of any latex, resin, wax, pulp, and any other byproducts, *as well as products, other than rubber, developed from agricultural crops which are of strategic and industrial importance,* resulting from operations under this Act, *Dispositions under this section may include sales of the materials involved to other Federal departments and agencies for testing purposes.* All moneys received from dispositions under this section shall be paid into the Treasury as miscellaneous receipts.

SEC. 14. [The Secretary of Agriculture and the Secretary of Commerce] *The Secretaries* may issue rules and regulations necessary to effectuate the purposes of this Act.

SEC. 15. [The Secretary of Agriculture and the Secretary of Commerce] *The Secretaries* shall submit to the President and the Congress, no later than December 31, 1980, and each year thereafter through [1982] *1987,* a report on the status of the research, development, and other work underway under this Act. Such report shall (1) recommend specific directions for further research, development and other work, and (2) recommend funding levels for various elements of the overall project.

SEC. 16. (a) There is authorized to be appropriated to the Secretary of Agriculture $2,500,000 for each of the fiscal years ending September 30, 1980, and September 30, 1981, [and] $5,000,000 for each of the fiscal years ending September 30, 1982, and September 30, 1983, *$5,000,000 for the fiscal year ending September 30, 1984, $5,500,000 for the fiscal year ending September 30, 1985, $6,500,000 for the fiscal year ending September 30, 1986, $7,500,000 for the fiscal year ending September 30, 1987, and $8,000,000 for the fiscal year ending September 30, 1988,* to carry out the purposes of this Act. Funds appropriated under this paragraph shall be available for obligation until the last day of the fiscal year after the year for which such funds are authorized.

(b) There is authorized to be appropriated to the Secretary of Commerce $2,500,000 for each of the fiscal years ending September 30, 1980, and September 30, 1981, [and] $5,000,000 for each of the fiscal years ending September 30, 1982, and September 30, 1983, *$2,500,000 for the fiscal year ending September 30, 1984, $3,000,000 for the fiscal year ending September 30, 1985, $3,500,000 for the fiscal year ending September 30, 1986, $4,000,000 for the fiscal year ending September 30, 1987, and $4,500,000 for the fiscal year ending September 30, 1988,* to carry out the purposes of this Act. Funds appropriated under this paragraph shall be available for obligation until the last day of the fiscal year after the year for which such funds are authorized.

(c) No more than 3 per centum of funds authorized under subsections (a) and (b) shall be available for administration and management of the program.

(d) Notwithstanding any other provision of this Act the authority to enter into contracts shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriations Acts.

(e) Notwithstanding any other provision of this Act, the Secretaries and the Joint Commission shall limit their activities under this Act to critical agricultural materials other than native latex after the close of the fiscal year ending September 30, 1988.

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FOOD FOR PEACE ACT OF 1966

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SEC. 4. * * *

(d)(1) There is hereby established in the Treasury a revolving fund to be known as the Agricultural Export Credit Revolving Fund, which shall be available without fiscal year limitation for use by the Commodity Credit Corporation (hereafter referred to in this subsection as the Corporation) for financing in accordance with this section and section 5(f) of the Commodity Credit Corporation Charter Act the following—

(A) commercial export sales of United States agricultural commodities out of private stocks or stocks owned or controlled by the Corporation on credit terms of not to exceed three years;

(B) export sales of United States breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations; and

(C) the establishment of facilities in importing countries to improve the capacity of such countries for handling, marketing, processing, storing, or distributing fungible agricultural commodities produced in and exported from the United States (through the use of local currency generated from the sale of United States agricultural commodities).

(2) The Corporation shall use the revolving fund only to extend credit for purposes of market development and expansion and only where there is substantial potential for developing or enhancing regular commercial markets for United States agricultural commodities.

(3) The Secretary of Agriculture shall ensure that the revolving fund is used in such a manner as to involve equitable use of the funds to finance sales to the greatest feasible number of countries consistent with maximizing market opportunities. [In carrying out this objective, the Secretary shall establish procedures under which—

(A) not less than 85 per centum of the estimated amount in the revolving fund for any fiscal year shall be made available for the purposes provided in clause (A) of paragraph (1) of this subsection; and

(B) not to exceed 25 per centum of the estimated amount in the revolving fund for any fiscal year shall be made available for the financing of credit sales to any one country for the purposes described in paragraph (1) of this subsection.]

(4) There are authorized to be appropriated to the Agricultural Export Credit Revolving Fund such sums as may be necessary to carry out the provisions of this subsection. [All funds received by the Corporation in payment for credit extended by the Corporation using the revolving fund, including interest or other receipts on investments and credit obligations, in financing export sales of the types specified in paragraph (1) of this subsection shall be added to and become a part of such revolving fund.] *All funds received by the Corporation in payment for credit extended by the Corporation (A) under the provisions of the Target Prices and Export Initiatives Act of 1983 and section 135 of the Omnibus Budget Reconciliation Act of 1982, and (B) using the revolving fund, including interest or other receipts on investments and credit obligations, in financing export sales of the types specified in paragraph (1) of this subsection shall be added to and become a part of such revolving fund.*

(5) The Secretary shall submit an annual report to Congress not later than December 1 of each year with respect to the use of the revolving fund in carrying out export credit sales by the Corporation in the previous fiscal year. Such report shall include, for the previous fiscal year, the names of the countries extended credit under this subsection, the total amount of such credit extended to each such country, the names of the United States exporters that received any such credit, the total amount of credit provided to each such exporter stated separately for each commodity for which the credit was extended, and a discussion and evaluation of the market development and expansion activities of the Corporation under this subsection during such fiscal year. The first such report shall be submitted to Congress not later than December 1, [1982] *1985.*

[(6) The revolving fund created by this subsection is abolished effective October 1, 1985, and all unobligated money in such fund on September 30, 1985, shall be transferred to and become part of the miscellaneous receipts account of the Treasury.]

[(7)] *(6)* The authority provided under this subsection shall be in addition to, and not in lieu of, any authority granted to the Secretary or the Corporation under any other provision of law.

[(8) The authority provided under this subsection to incur obligations to make loans shall be effective only to the extent that such obligations do not exceed annual limitations on new direct loan obligations which shall be provided in annual appropriations Acts.]

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